MANDATUM | Annual Report 2021

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1

YEAR 2021

MANDATUM

"Mandatum, renewed and reinforced during the year, is a financial sector expert whose mission is to create significant added value for its stakeholders. To our customers and owners, we are more than the sum of our parts."

Petri Niemisvirta
CEO, Mandatum Group

MANDATUM IN BRIEF

This is Mandatum

Mandatum is a renowned financial group. To its customers and owners, it is more than the sum of its parts.

Mandatum is a solvent and respected financial services provider and part of the successful Sampo Group. Mandatum Group's mission is to grow shareholder value for Sampo Group by creating added value for customers, personnel, and society. Sampo is a significant Nordic insurance group and one of the most valuable companies listed on Nasdaq Helsinki. Mandatum combines special expertise in money and life and offers customers a wide array of services covering asset and wealth management, savings and investment, compensation and rewards, pension plans and personal risk insurance.

Business Areas:

Asset Management and Wealth Management
Extensive asset management and wealth management services for private and corporate customers, as well as institutional investors

Services for Preparing for Risks
Financial security for private customers and companies alike through comprehensive services, such as personal risk insurance, to help prepare for life's risks

Corporate Customers
For companies and entrepreneurs, services for preparing for risks and prospering, pension solutions and the most extensive offering of reward and compensation services in the market

Investing and Saving
Investment and saving services, such as digital wealth management and the Trader securities trading service

Mandatum Group's Legal Structure 31 December 2021

MANDATUM HOLDING LIMITED (LTD)

A wholly owned subsidiary of Sampo plc

MANDATUM LIFE INSURANCE COMPANY LIMITED (MANDATUM LIFE) (100%)

Mandatum Incentives Oy (75%)
Mandatum Life Services Limited (Ltd)
Mandatum Fund Management S.A. (LUX)*
Mandatum Life Insurance Company Limited Estonian Branch**
Mandatum Life Insurance Company Limited Latvian Branch**
Mandatum Life Insurance Company Limited Lithuanian Branch**

MANDATUM ASSET MANAGEMENT LIMITED (LTD) (100%)

Mandatum AM AIFM Limited (Ltd)

*The company is owned by Mandatum Life Insurance Company Limited, but it will transfer to the ownership of Mandatum Asset Management in the course of spring 2022. The change has been approved by the local financial supervisory authority.

**On 15 June 2021, Mandatum Life Insurance Company Limited signed an agreement on the sale of its Baltic businesses to the Lithuanian asset management group Invalda INVL. The transaction is subject to approval by the financial supervisory authorities.

Key Figures

PROFIT BEFORE TAX

EUR 247 million

(154)

CUSTOMER ASSETS UNDER MANAGEMENT

EUR 11.1 billion

(9.2)

SOLVENCY RATIO

192%

(188%)

AVERAGE NUMBER OF EMPLOYEES

638

(576)

PRIVATE CUSTOMERS

300,000

CORPORATE AND INSTITUTIONAL CUSTOMERS

20,000

CEO'S REVIEW

In 2021, we created the conditions for success in the years to come

In 2021, Mandatum turned its gaze to the future and renewed its corporate structure. This also meant revisiting our strategy and reorganizing our operations. This year for the first time, we are reporting on the operations of Mandatum Holding Ltd, that is the Mandatum Group.

In 2021, the investment operations of Sampo Group and Mandatum Life Group were combined into a dedicated business under Mandatum Group, offering our customers an even wider range of leading asset management services in the Nordic countries. Mandatum Asset Management became a sister company of Mandatum Life. Mandatum Life will continue to bring financial safety and prosperity to its customers, working in close cooperation with Mandatum Asset Management.

In 2021, Mandatum also made some business acquisitions. In May, we announced that we are reinforcing our position in reward and compensation services by acquiring Nordhaven Corporate Finance's business focusing on equity-based incentive plans. With Mandatum Incentives now part of Mandatum Life, we have become Finland's largest provider of reward and compensation services, with the most extensive service offering in the market. We also strengthened our competence in real estate investment. In summer, Mandatum Asset Management acquired the shares of the real estate fund management company Trevian Funds AIFM, and the company became part of Mandatum Group at the start of September. The company, currently operating under the name of Mandatum AM AIFM Ltd, further complements Mandatum's real estate investment expertise.

"To our customers and owners, we are more than the sum of our parts."

Mandatum, renewed and reinforced during the year, is a financial sector expert whose mission is to create significant added value for its stakeholders. To our customers and owners, we are more than the sum of our parts.

A Year of Strong Performance

2021 was also a successful year for Mandatum Group in light of financial figures. The Group's result reached an excellent level, driven by successful investment operations. The operational result was also the highest in the Group's history.

The Group's customer assets rose to EUR 11.1 billion (9.2) as a result of success in investment operations and growth in customers' net subscriptions. The growth in net subscriptions can be attributed to Mandatum Life's and Mandatum Asset Management's successful collaboration, which enabled us to communicate our co-investment model to our customers even more effectively. The assets under Mandatum Group's management are EUR 29.3 billion in total.

Although the coronavirus pandemic continued to cast a shadow over the entire year, its impacts on business were minor. The biggest impacts of the pandemic were reflected in how we carried out our work.

Record-High Customer Satisfaction

Our customers are at the heart of everything we do. We make every effort to respond to our customers' needs, and we have succeeded well in doing so in the recent and extraordinary years. This is reflected in our record-high customer satisfaction and extremely good customer retention. Particularly the early part of the year brought its own challenges to customer engagement, as we were unable to meet with our customers in person. Once extensive vaccination rollouts began in the second quarter, the situation eased, and we were able to adopt a hybrid approach to customer engagement.

Customer relations management has also been supported through various customer and stakeholder events. In 2021, we arranged a total of 83 events, including webinars, partner events and market info sessions. Nearly a third of these events were held in person.

Money as a Driver of Change

Sustainability is the starting point for all our operations. At Mandatum, money is a driver of change that touches all our stakeholders. We believe that companies that operate sustainably will yield better results in the long run as investments and for society. Investors have an influential role in solving societal challenges and combating climate change. In addition, the sustainability indicators incorporated into Mandatum's extensive reward and compensation solutions help companies promote the achievement of sustainability targets.

Mandatum Group's corporate responsibility is based on three principles: responsible investment, promoting responsible personnel practices in working life and implementing them in Mandatum's own work community.

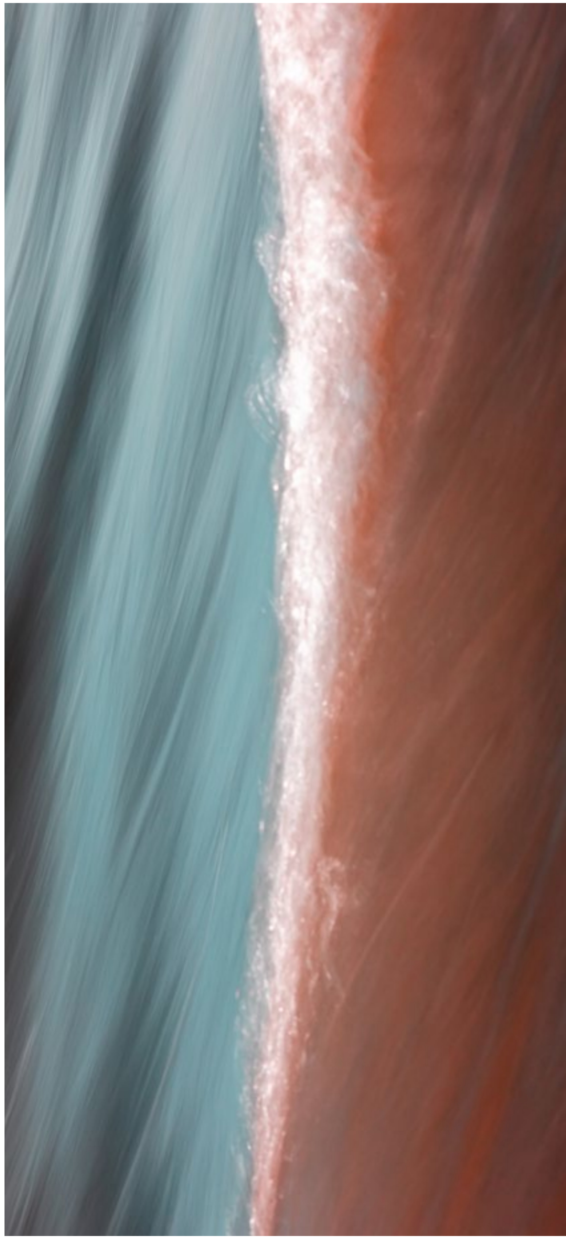
At Mandatum, financial responsibility means ensuring the continuity, profitability, earnings power, and solvency of operations in all market situations. Ensuring continuity creates the foundation for the sustainable and responsible management of customers' insurance-related liabilities and customers' investments and pensions over the decades. That is why risk management is also a key component of Mandatum's financial responsibility.

Heading into 2022 as One Team

Sustainability is also reflected in our work community, which operates as one team according to our values. We prioritize our shared goals, and we succeed in this by understanding the importance of each person's contribution to the big picture. We help one another by drawing on each other's expertise and by working together. In 2021, our employees voted us as the best workplace in Finland in the large organizations category of the Great Place to Work Institute's survey for the second year in a row, and the 17th best place to work in Europe. We are building a good and safe work community for our personnel also by focusing on good governance. We also created a new management model for the renewed Mandatum Group in 2021, which better reflects the new corporate structure and the closer cooperation within Sampo Group.

The measures taken in 2021 will create an excellent opportunity to offer customers even more comprehensive services in the future, for example, in the areas of co-investment and rewards and compensation. I would like to thank our customers, owners, and other stakeholders for an excellent year. I also want to thank each and every Mandatum employee: I am very proud of our successes in 2021. We implemented major changes during the year, but our work is not done. 2022 will mark the beginning of Mandatum Group's new story.

Petri Niemisvirta
CEO, Mandatum Group



Events in 2021

12 FEBRUARY 2021

Mandatum Group's Corporate Structure Revamped
We announced a change in the Group's corporate structure. Mandatum Life and Mandatum Asset Management Ltd were transferred to Sampo's wholly owned Mandatum Holding Ltd.

28 APRIL 2021

Best Place to Work in Finland
For the second year in a row, Mandatum was selected as the best place to work in Finland in the large organizations category of the Great Place to Work Institute's survey. In 2021, Mandatum was also ranked as the 17th best place to work in Europe.

3 MAY 2021

Mandatum Life Acquires Nordhaven's Equity-Based Incentive Advisory Business
We announced that we are consolidating our position in reward and compensation services by acquiring Nordhaven Corporate Finance's business focusing on equity-based incentive plans. Following the acquisition, Nordhaven's equity-based incentive scheme specialists and customer accounts transferred to the new company Mandatum Incentives.

15 JUNE 2021

Mandatum Life Signed an Agreement on the Sale of its Baltic Life Insurance Businesses
Mandatum Life agreed on the sale of its Baltic life insurance businesses to the Lithuanian Invalda INVL Group. In connection with the sale, Mandatum Life's entire Baltic life insurance business, including its employees, will transfer to Invalda INVL. The aim is to conclude the transaction in the first half of 2022.

1 JULY 2021

Mandatum Asset Management Acquires Trevian Funds AIFM

Mandatum Asset Management signed an agreement to acquire the real estate fund management company Trevian Funds AIFM. In connection with the transaction, Trevian Funds' entire fund management business, including its personnel, will transfer to Mandatum Asset Management. Mandatum AM AIFM Ltd. is the new name of the company, which manages alternative funds and is licensed by the Finnish Financial Supervisory Authority.

1 SEPTEMBER 2021

Sampo's Investment Unit Becomes Part of Mandatum Asset Management

At the start of September, Sampo's investment unit transferred to Mandatum Asset Management through a transfer of business. 29 employees transferred from Sampo plc to Mandatum Asset Management, and Mandatum Asset Management launched its operations with approximately 120 investment professionals.

15 OCTOBER 2021

Mandatum Asset Management Receives GRESB Regional Sector Leader and Green Star Designations for the Management of its Real Estate Portfolio

The real estate portfolio managed by Mandatum Asset Management received recognition for its sustainability work in the Global Real Estate Sustainability Benchmark assessment. Sector Leader recognition is granted to organizations that are among their region's best in sustainability within real estate and holding sector. Additionally, Mandatum received the Green Star designation, which is granted to real estate investors that receive high scores in both leadership and sustainability measures.

16 DECEMBER 2021

Oddlygood Global Receives Significant Growth Funding from Mandatum for its International Plant-Based Business

Mandatum invested EUR 25 million in Oddlygood Global, which aims to be a leading provider of plant-based foods, becoming a minority shareholder in the company. Assets for this investment came from Mandatum Group's Finnish customers.

2

CORPORATE RESPONSIBILITY

CORPORATE RESPONSIBILITY

Responsibility is at the Core of Mandatum's Business

Our responsibility encompasses three key themes and lays the foundation for everything we do. These are: responsible investment, promoting responsible personnel practices in working life and implementing them in Mandatum's own work community.

Mandatum reports on its corporate responsibility as part of Sampo Group. Mandatum also publishes its own annual corporate sustainability summary, which is intended to complement Sampo Group's report. Sampo's Corporate Responsibility Report is available through the link: **www.sampo.com/sustainability/sustainability-reports/**

We Require Sustainability of Our Investees

We believe that, in the long run, companies that operate responsibly will yield better results as investment objects, thanks to their more favorable growth prospects and more predictable cost development. The Responsible Investment Policy lays out the responsible investment operating principles and guidelines of Mandatum Asset Management Ltd and Mandatum Life. We require that our investments operate responsibly. We analyze responsibility as part of the investment process, and we only invest in investment objects that meet the set criteria. We aim to influence companies' operating practices in responsibility matters through active ownership.

Mandatum has committed to the UN's Principles for Responsible Investment. We monitor investments on the basis of the UN Global Compact principles, among other things.

It all Comes Down to People

Through its business operations, Mandatum strives to improve the financial security of Finns and promote responsible HR practices. Our services help our corporate customers strengthen their competitiveness and provide their employees with fair and responsible compensation. Mandatum plans and implements incentive, commitment, and reward systems, with incorporated responsibility indicators, and provides related consultation services. With our services for preparing for life, we help Finns secure a sufficient income during retirement and when facing financial adversity.

Leading by Example

Taking responsibility for personnel ensures successful business. Personnel's well-being is one of our strategic goals.

Our key goals include:

- Growing intellectual capital
- Responsible leadership practices and equality
- Employment
- Professional development

Foundation of Our Work

At Mandatum, financial responsibility means ensuring the continuity, profitability, earnings power, and solvency of operations in all market situations. Ensuring continuity creates the foundation for the sustainable and responsible management of customers' insurance-related liabilities and customers' investments and pensions for decades. That is why risk management is also a key component of Mandatum's financial responsibility. The most important goals of the risk management process are to ensure the sufficiency of capital in relation to business risks and to curb variations in financial performance in the long run. Financial responsibility also means proactively responding to different situations, such as changes taking place within and outside of the organization.

3

SUBSIDIARIES

SUBSIDIARIES

Mandatum Life

Mandatum Life (Mandatum Life Insurance Company Limited) and its Group companies offer services in wealth management, rewards and compensation, retirement plans and personal insurance to private and corporate customers.

Mandatum Life's predecessor, Sampo Life, was founded in 1997 as part of what was at the time the P&C insurance group Sampo. Sampo's life insurance business dates back to 1874, when Finland's oldest life insurance company, Kaleva, was founded. In 2008, wealth management was introduced alongside life insurance, and the new strategy was summed up with the slogan "Your money, your life". Mandatum Life was born.

Mandatum Life's strategy is to bring its customers financial security by combining innovative wealth management and life insurance.

The Chairman of Mandatum Life's Board of Directors is **Patrick Lapveteläinen**, and the company's President and CEO is **Petri Niemisvirta**.

MANDATUM LIFE

PREMIUMS WRITTEN

EUR 1,367.0 million

(1,050.8)

RESULT

EUR 252.9 million

(196.4)

SOLVENCY RATIO

190%

(188)

NUMBER OF PERSONNEL

98

(104)

UNIT-LINKED LIABILITIES 31 DEC 2021

EUR 10,712 million

(8,765)

WITH-PROFIT LIABILITIES 31 DEC 2021

EUR 3,246 million

(3,521)

SUBSIDIARIES

Mandatum Asset Management

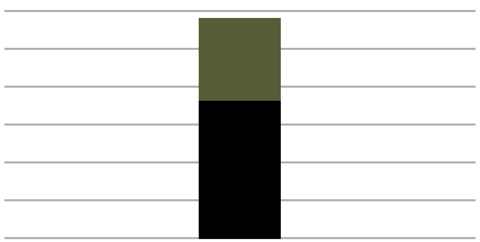
Mandatum Asset Management (MAM) combines Mandatum's and Sampo's asset management expertise. Its mission is to serve institutional and other professional clients, clients, offer funds and asset management services to both its clients and Mandatum Life's clients and manage Sampo Group's investment assets. Mandatum Asset Management manages approximately EUR 29.3 billion in assets. This includes the assets of Mandatum Life, Kaleva and If, Sampo's strategic investments, as well as Mandatum's current unit-linked products and funds.

Mandatum Asset Management's operations are reflected on the entire Mandatum Group, in close customer cooperation between Mandatum Asset Management and Mandatum Life. For Mandatum Life's customers, the company's co-investment strategy can be seen in, for instance, the private wealth management services and pension solutions.

Mandatum Asset Management's strategy is to offer its customers market-leading investment operations and products that rely on them. Mandatum Asset Management's investment philosophy leans on Sampo Group's shared principles: **Investment selection**, **Opportunism** and **Patience**.

The Chairman of the company's Board of Directors is Sampo's CIO **Patrick Lapveteläinen**, and the Deputy Chairman is Mandatum Group's President and CEO **Petri Niemisvirta**. **Lauri Vaittinen** is the company's President and CEO.

ASSETS UNDER MANAGEMENT 12/2021 BY SOURCE



Other Customer Assets, 11.1
Sampo Group's own assets, 18.3

MANDATUM ASSET MANAGEMENT

RESULT

EUR 2.9 million

after EUR 15 million group contribution paid to Sampo plc.

Approximately 120

INVESTMENT PROFESSIONALS

ASSETS UNDER MANAGEMENT

EUR 29.3 billion

4

REPORT OF THE BOARD OF DIRECTORS

REPORT OF THE BOARD OF DIRECTORS

Mandatum Group's Board of Directors' Report 1 January – 31 December 2021

Operating Result and Solvency

Mandatum Holding's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS). In preparing the financial statements, the Group has applied all the standards and interpretations relating to its business, adopted by the commission of the EU and effective at 31 December 2021. In preparing the notes to the accounts, attention has also been paid to Finnish accounting and company law and applicable regulatory requirements.

On 11 February 2021, Sampo's Board of Directors decided on a structural arrangement aimed at creating a new legal structure for the Mandatum Life sub-group, which operated the Sampo Group's life insurance and asset management business. In the new legal group structure, a new holding company, Mandatum Holding Limited, was established in Sampo plc's direct ownership, as the parent company of the Mandatum Life sub-group and Mandatum Life Investment Services Limited (currently Mandatum Asset Management Ltd).

The restructuring of the group structure was carried out in such a way that the life insurance and asset management business consisting of Mandatum Life Insurance Company Ltd, and its subsidiaries was transferred from Sampo Plc by means of a tax-neutral business transfer within the meaning of Section 52d of the Business Tax Act in an application to the new recipient company (Mandatum Holding Ltd) against the shares it has issued. After the business transfer, Mandatum Life Insurance Company Ltd sold the entire share capital of Mandatum Life Investment Services Ltd to Mandatum Holding Ltd for cash consideration. In addition, the entire share capital of Mandatum Fund Management S.A., previously owned by Mandatum Life Insurance Company Ltd, has been transferred in exchange for cash consideration to Mandatum Asset Management Ltd in a transaction completed on 14 February 2022.

As part of the restructuring, Sampo Plc transferred its asset management function to Mandatum Asset Management Ltd by means of a business transfer carried out on 1 September 2021. In addition, in autumn 2021, Mandatum Asset Management Ltd acquired the share capital of Trevian Funds AIFM Ltd, which provides AIF services (currently Mandatum AM AIFM Ltd). As a result of the restructuring, Mandatum Holding Ltd has two business lines, life insurance and remuneration services business operated by Mandatum Life Insurance Company and its subsidiaries', and the investment services and management business operated by Mandatum Asset Management Ltd and its subsidiaries.

EUR million	1 Jan–31 Dec 2021	1 Jan–31 Dec 2020	1 Jan–31 Dec 2019
Premiums written	1,367.0	1,050.8	1,595.9
Net income from investments	1,787.2	586.7	1,266.5
Claims paid	-1,127.0	-1,089.1	-1,492.2
Profit before tax	247.1	153.9	280.1
Total comprehensive income	302.6	213.2	308.5
Balance sheet total	16,470.6	14,605.4	14,091.9
Return on equity %	18.4	14.4	23.5
Solvency II own funds	2,604.4	2,308.0	2,290.2
Solvency ratio %	191.8	187.6	193.7

Profit before taxes for the financial year was EUR 247 million (154). Comprehensive income from investments at fair values after taxes rose to EUR 303 million (213). The profit for the financial year was reduced by the EUR 15 million group contribution that Mandatum Asset Management Ltd paid to Sampo plc. The comparative result was burdened by EUR 3 million in group contributions paid by Group companies.

The Group's solvency ratio in accordance with the Solvency II principles was 192 percent (188). Own funds under the transitional measures were EUR 2,604 million (2,308) and the solvency capital requirement was EUR 1,358 million (1,230). The majority of own funds and solvency capital requirements stem from Mandatum Life, which retained a good solvency position, its credit rating being A+ (Standard & Poor's).

Premiums Written

Mandatum Group's direct insurance premiums written amounted to EUR 1,376 million (1,059). Premiums written on unit-linked policies amounted to EUR 1,278 million (960). The Baltic branches' share of premiums written was EUR 25 million (22).

Investment Operations

Mandatum Group's actual investment risk arises from the investment assets covering Mandatum Life's with-profit insurance portfolio. Mandatum Life's investment objective is to achieve the highest possible return at an acceptable level of risk. Successful investments provide policyholders with good total return and accrue own funds, while also meeting shareholders' return expectations.

The investment portfolio is diversified both geographically and by instrument type to increase returns and reduce risks.

During the year, there were no significant changes in the allocation of assets across asset classes. As in the previous two years, the return on equity investments rose to an excellent level. Together with the exceptionally high return on alternative investments, this raised the return on the investment assets in their entirety (excluding the segregated group pension insurance portfolio) to 10.2 percent (6.5). The segregated group pension portfolio's investment activities clearly have a lower risk level than the rest of the balance sheet. As a consequence of this, the portfolio's return was also lower, although in relation to the return requirement on technical provisions it was still good, at 2.9 percent (1.5).

A more detailed description of the investment assets and the risks inherent in investment operations is included in the risk management note to the financial statements.

Technical Provisions and Claims Incurred

Mandatum Group's technical provisions before reinsurers' share grew by EUR 1,672 million and amounted to EUR 13,958 million (12,286). Unit-linked reserves increased by EUR 1,946 million during the year, amounting to EUR 10,712 million (8,765). The with-profit technical provisions fell clearly as expected and amounted to EUR 3,247 million (3,521). The segregated group pension insurance portfolio accounted for EUR 751 million (875) of the with-profit technical provisions at the end of the 2021 financial year. The discount rate for the segregated group pension insurance portfolio's technical provisions was lowered to 0.0 percent; the corresponding EUR 183 million (232) reserve for decreased discount rates is included in the segregated portfolio's total technical provisions. The remainder of the with-profit technical provisions includes a total increase of EUR 274 million (218) in the reserve for decreased discount rates.

The Baltic branches' share of the technical provisions was EUR 196 million (177), of which unit-linked technical provisions accounted for EUR 186 million (165).

More detailed information on the distribution of and change in technical provisions is included in the risk management disclosure to the financial statements.

Life insurers must follow the so-called principle of fairness with respect to policies which under the insurance contract give entitlement to bonuses granted on the basis of any surplus generated by the insurance policies. Further information on the principle of fairness can be found in the accounting policies and on the company's website.

Mandatum Group's total amount of claims paid was EUR 1,099 million (1,120), of which reinsurers covered EUR 1 million (2). Unit-linked policies accounted for EUR 726 million (718) of claims paid. Mandatum Group made pension payments totaling EUR 382 million (395) to some 57,000 pensioners during the year.

Operating Expenses

Mandatum Group's operating expenses were EUR 158 million (128). The increase in expenses can largely be attributed to the businesses transferred to the Group from Sampo and the acquisition of Trevian.

Subordinated Loan

Mandatum Life's financial liabilities include two subordinated loans, which have a total nominal value of EUR 350 million. One of the loans, the 2002 subordinated loan, has a nominal value of EUR 100 million, and the other, the 2019 subordinated loan, has a value of EUR 250 million. The 2002 subordinated loan is wholly subscribed by Sampo Plc. The loan is outstanding, and the interest on the loan is the variable 12-month Euribor rate + 4.5%. The 2019 subordinated loan has a 30-year maturity, and the first possible surrender date is in October 2024. The interest on the loan is fixed at 1.875 percent until the first surrender day and thereafter the interest is the 3-month Euribor rate plus a 2.30 percent margin, and after 10/2029, the 3-month Euribor rate plus a 3.30 percent margin.

Personnel

The Group employed an average of 638 (576) persons, 489 of whom worked at Mandatum Life and 63 at Mandatum Asset Management. Of these employees, 558 were in Finland and 78 in the Baltics (29 in Estonia, 15 in Latvia and 34 in Lithuania) and 3 in Luxembourg. Of the Finnish personnel, 55 percent were men and 45 percent women. The employees' average age was 41 years.

Risk Management Principles

The risk management strategy of all Mandatum Group's companies consists of ensuring a sound and well understood risk culture in each company and ensuring that risks are identified, assessed, managed, monitored, and reported and in a right proportion related to their effect on short term and long-term financial results. Moreover, the strategies aim to ensure the companies holds adequate buffers to regulatory capital requirements and maintain operational capabilities also under financial turmoil. The strategies ensure overall efficiency, security, and continuity of operations and safeguards Mandatum Group's good reputation and ensures clients and other stakeholders have confidence in Mandatum Group. As a summary, risk management's key objective in Mandatum Group is to create value and preserve already created value.

Mandatum Group companies follow the risk management principles defined by Sampo Group's risk management framework. In Mandatum Group, each licensed company has its own risk management policy, but Mandatum Group has a common risk management framework. Mandatum has oversight on its subsidiary's risk management framework and principles for monitoring and reporting of the risks. Mandatum Group's risk management function works closely with its subsidiary's risk management functions to ensure that data and information is exchanged appropriately and that the arrangements, processes, and mechanisms are adequate.

The Boards of Directors are responsible for the adequacy of the risk management and internal control. The Boards annually approve the Risk Management Policies according to which risk management is arranged in Mandatum Group's companies. The CEOs has the overall responsibility for the implementation of risk management in accordance with the Boards' guidance.

The responsibilities of the Group's Chief Risk Officer are to ensure that risk management is organized appropriately and that the scope is adequate with respect to the Group's operations. Each Mandatum Group company has its own risk management function. The responsibilities of the risk management functions are to ensure that risk management is organized accordingly and that the scope is adequate with respect to the company's operations in general. The business units are responsible for the identification, assessment, control, and management of their operational risks.

Risks Related to Business Activities

Mandatum Group companies operate in business areas in which the characteristics of value creation are risk pricing and active management of risk portfolios, in addition to good customer service. Therefore, common risk definitions are needed as the basis for business activities and risks are divided into main groups, which are insurance, market, operational (incl. legal and compliance risks), business and reputational risks.

Main risks from the perspective of solvency capital requirements are risks arising from life insurance activities that is, market risks, longevity risk and surrender risk, of which the two latter ones are part of underwriting risk. In addition, operational and business risks are inherent in terms of the company's operations and continuity.

Market risks refer to impacts mainly on Mandatum Life's result or solvency caused by changes in the market values of financial assets and liabilities and technical provisions. Market risks are examined from both an Asset Liability Management (ALM) as well as an investment portfolio risk perspective. Mandatum Life's market risks arise mainly from investments in equities and interest rate risk arising from fixed income assets and with-profit liabilities.

The approach to market risk management is based on the technical provisions' expected cash flows, the interest level, and the valid solvency position. A common feature for all elements of with-profit liabilities is the guaranteed rate and bonuses. The cash flows of the Mandatum Life's liabilities are relatively well predictable because in most with-profit policies, surrenders and extra investments are not possible.

Insurance risks in the life insurance business encompass biometric risks, lapse risk and expense risk. Risk related to the discount rate applied to with-profit liabilities is part of markets risks, but it closely relates to underwriting risks.

Biometric risks in life insurance refer mainly to the risk that the company has to pay more mortality, disability or morbidity benefits than expected or the company has to keep paying pension payments to the pension policy holders for a longer time (longevity risk) than expected when pricing the policies. Longevity risk is the most significant biometric risk in the company. The with-profit group pension portfolio represents most of the longevity risk. In the unit-linked group pension and individual pension portfolio, the longevity risk is less significant because most of these policies are fixed-term annuities including death cover, which mitigate the longevity risk.

The long duration of policies and restriction of the company's right to change policy terms and conditions and tariffs increases biometric risks. If the premiums turn out to be inaccurate and pricing cannot be changed afterwards, liabilities have to be supplemented with an amount corresponding to the expected losses.

Operational risk refers to the risk of loss resulting from inadequate or failed processes or systems, from personnel and systems or from external events. Operational risk may materialize as additional expenses, compensations for caused damages, non-compliance with rules and regulations, loss of reputation, false information on risk position and consecutive losses, and interruption of business activities.

The goal of operational risk management is to identify risks ahead of time, manage risks effectively and strive to minimize beforehand the impacts of any realized risks in a cost-effective manner. Business units are responsible for the identification, assessment, monitoring and management of their own operational risks.

Liquidity risk is the risk of the company being unable to realize its investments or other assets in order to settle its financial obligations when they fall due. Liquidity risk bears relatively little significance in Mandatum Group. It bears the most significance in Mandatum Life, but in general, a life insurance company's liability in a with-profit insurance portfolio are relatively predictable, and a sufficient share of the corresponding investment assets are cash or short-term money market investments.

A note has been prepared on risks and risk management, explaining Mandatum Life's principal risks and general risk management principles in greater detail. Mandatum Group's Annual report which is published in Mandatum's and Sampo's website includes additional information regarding risk management and solvency of the Group.

Corporate Structure and Ownership

Mandatum Holding Ltd is a wholly owned subsidiary of Sampo plc. Mandatum Group consists of two entities, Mandatum Asset Management, which is responsible for asset management operations, and Mandatum Life Insurance Company, which is responsible for life insurance, compensation and rewards, and wealth management. Mandatum Asset Management's subsidiaries are Mandatum AM AIFM Ltd, Mandatum Private Equity GP and the property investment companies SaKa Hallikiinteistöt GP and Mandatum Life Vuokratontit I GP. Mandatum Life Insurance Company's subsidiaries are Mandatum Life Services Ltd, Mandatum Incentives Oy, 19 housing and property companies and Mandatum Life Fund Management S.A., which operates in Luxembourg. The Group also has a branch in the Baltics (Mandatum Life Estonia, Lõõtsa 12, Tallinn, Estonia).

Significant Post-Balance-Sheet Events

There are no significant post-balance-sheet events.

Outlook

This is now the third year under the shadow of the Covid-19 pandemic. Even though the Group's business and result have developed well over the past two years, the pandemic is still causing major uncertainty with respect to the outlook for 2022.

The Group's most significant future challenges are related to the low interest rate level and the uncertainty in economic development and the investment market. The Group's investment result is strongly tied to the development of the investment markets and is therefore difficult to predict. The Group's good solvency position, the old with-profit technical provisions that are decreasing relatively strongly and the discount rate reserve, together with the transitional measures of Solvency II, put the Group in a good position to tolerate both low interest rate levels and short-term market volatility.

2021 was a record year in terms of customers' net subscriptions. There was growth on a broad front, covering corporate, private, and institutional segments alike. Interest in the Group's services is expected to remain at a good level, although the general economic cycle will likely cause annual volatility in the expected net subscriptions. The Group's customer assets increased to EUR 11.1 billion (9.2) as a result of net subscriptions and the increase in the value of investments, creating positive expectations for the development of the Group's operational result. The operational result is also exposed to the development of the capital markets, which also means forecasting it is subject to significant uncertainty.

The Group's underwriting risk result includes annual fluctuations, with the 2021 result being exceptionally good. Despite the uncertainty, the risk result is expected to remain at a good level.

Breakdown of Shares

The share capital consists of one series of shares. All company shares entitle the holder to equal dividend and voting rights. The company's registered shares amounted to 200, and their equivalent carrying amount/share is EUR 25,000. The company's Board of Directors is not authorized to new subscriptions, to grant option rights or to buy convertible bonds.

Corporate Governance

Liability Companies Act. More detailed provisions regarding the company's governance can be found in its Articles of Association and in the internal operating principles and guidelines approved by the Board of Directors. The supreme authority over the company's business is exercised by the General Meeting of Shareholders. The company's establishment contract was signed on 15 February 2021. The company held no general meetings in 2021. On 19 May 2021, the shareholder Sampo plc made the sole shareholder's decision to choose the company's auditor.

The company's Board of Directors had three members in 2021, and its composition was as follows:

- Chairman Patrick Lapveteläinen, Group CIO, Sampo plc
- Anne Teitto, Senior Legal Counsel, Sampo plc
- Ricard Wennerklint, Chief of Strategy, Sampo plc

The Board convened five times during the financial year.

Petri Niemisvirta is the company's Managing Director.

The company's Auditor was Ernst & Young Oy, Authorized Public Accountants (with Kristina Sandin, APA, as the auditor with principal responsibility), until 19 May 2021. Based on the shareholder's decision on 19 May 2021, Deloitte Oy was elected as the company's new auditor (with Reeta Virolainen, APA, as the auditor with principal responsibility).

The Board of Directors' Proposal for the Distribution of Profit

Mandatum Holding's profit in accordance with the Finnish Accounting Standards was EUR 174,561,397.42. The company's distributable funds were EUR 708,075,934.86. The Board of Directors proposes to the Annual General Meeting that EUR 150,000,000 of the profit for the financial year be distributed as dividends and that the rest be transferred to the profit and loss account.

5

RISK MANAGEMENT

Risk Management

1. Risk Management Principles

Mandatum Group (Mandatum) companies operate in business areas in which the characteristics of value creation are risk pricing and active management of risk portfolios, in addition to good customer service. Therefore, common risk definitions are needed as the basis for business activities.

1.1 Group Risks

In Mandatum, the risks associated with business activities fall into three main categories: business risks, reputational risk and risks inherent in the business operations. The first two risk classes are only briefly described in this Risk Management Disclosure as the focus is on the third risk class.

1.1.1 Business Risks

Business risk is the risk of losses due to changes in the competitive environment and/or lack of internal operational flexibility. Unexpected abrupt changes or already identified, but internally neglected trends can cause larger than expected fluctuations in profitability when volumes, margins, costs and capital charges change and in the long run they may also endanger the existence of Sampo Group's business models.

External drivers behind such changes are varied, including for instance general economic development, changes in commonly shared values, developments in the institutional and physical environment and technological innovations. Because external drivers are inter-connected, the customer preferences and demand can change unpredictably and there may be a need to change regulations as well. In case the company's internal understanding of needed changes or willingness and ability to act accordingly is inadequate and competitors are more able to meet clients' and regulation's altered expectations, the company is highly exposed to business risk.

Due to the predominantly external nature of the drivers and development in the competitive environment, managing business risks is the responsibility of the executive level senior management. Proactive strategic decision making is the central tool in managing business risks, which relate to the competitive advantage. The maintenance of internal operational flexibility – that is the ability to adjust the business model and cost structure when needed – is also an efficient tool in managing business risks.

Business risks can have a significant impact on the company's profitability, especially in the longer term, and can also cause shorter-term earnings volatility. Business risks are not subject to a solvency requirement on the part of the authorities.

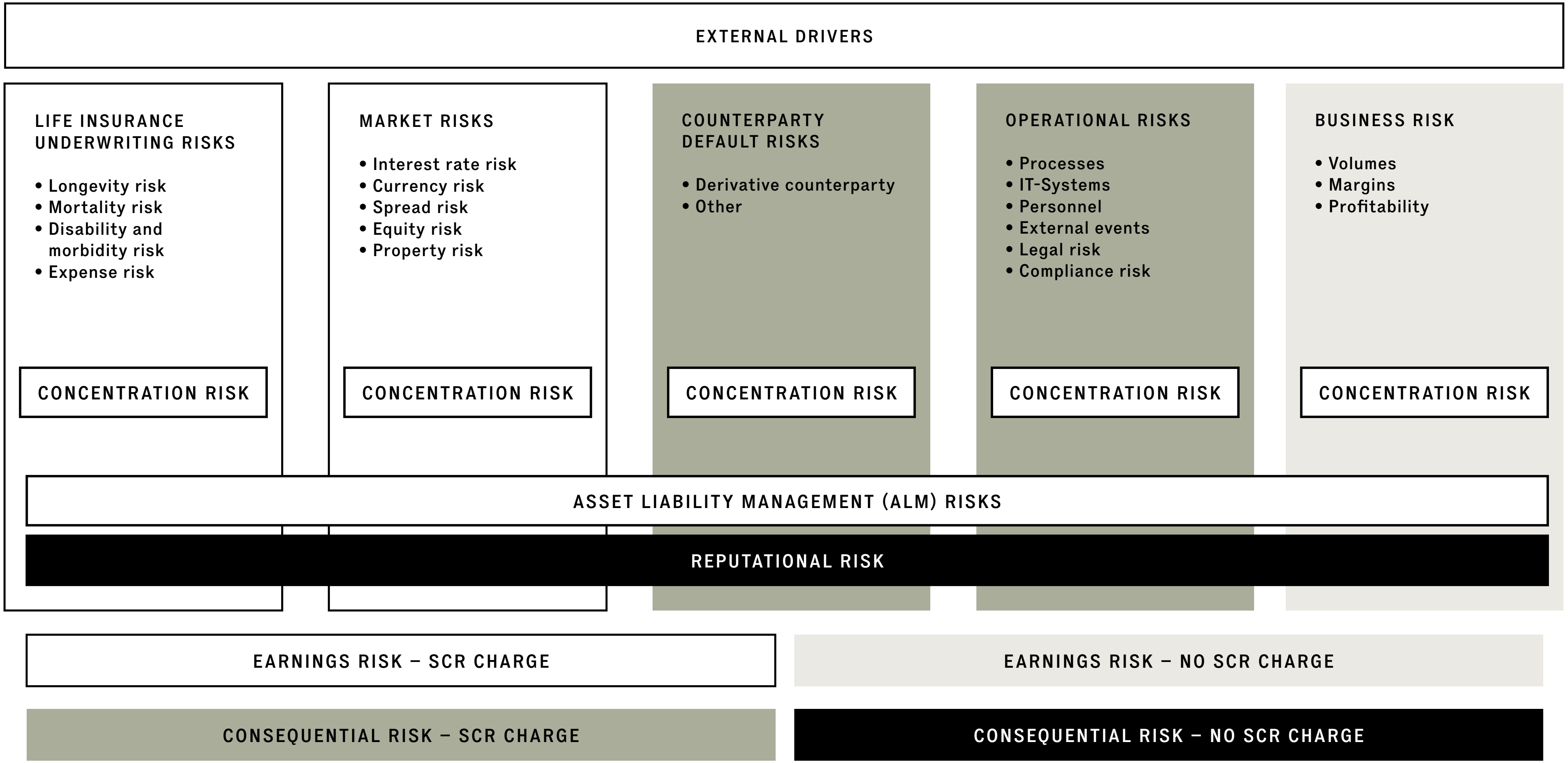
1.1.2 Corporate Responsibility as a Business Risk Driver

The issues related to corporate responsibility are changing the preferences and values of Mandatum Group companies' stakeholders and, as a result, the operating and competitive environment is evolving. The Group companies operate mainly in countries, which are characterized by an inherent respect for human rights, high transparency, and low levels of corruption and bribery. There is high compliance with labor rights, health and environmental legislation and freedom of speech and association. These themes are also inherent in the operations of all Mandatum Group companies. Investors and authorities are increasing their focus on corporate responsibility, but also consumers and employees are emphasizing these topics when choosing a brand or an employer.

The key corporate responsibility related risk drivers for Mandatum can be divided into four main areas:

Responsible business management and practices are fundamental to Mandatum Group companies' operations. Good governance in Mandatum means effective policies, management practices, and training, which provide assurance that the Group companies and their personnel, suppliers and other business partners comply with

Figure 1–1 Classification of Risks in Mandatum



laws, regulations and generally accepted principles on human rights, labor rights, environment, anti-money laundering, counter-terrorism financing and anti-corruption and bribery. Further, it comprises comprehensive information security and cybersecurity governance systems, and data protection activities. Additionally, responsible business practices require being attentive to the risks relating to inappropriate customer advice and product sales, lack of clarity on conditions, prices and fees, and errors in claims handling and complaint processes. Sales and marketing practices' focus is on meeting the demands and needs of the customer and providing the customer with the information necessary for them to make well-informed decisions on their insurance coverage.

Responsible corporate culture includes factors relating to the work environment, diversity, equality, employee well-being, employee engagement, professional development, and talent attraction and retention. Skilled and motivated employees are an essential success factor in Mandatum's aim to provide customers with the best service in all situations. Losing talent or being perceived as an unattractive employer would pose large risks for the businesses. Therefore, Mandatum Group companies strive to ensure a sound work environment, not only because it is stipulated by law, but also because it lays the foundation for sustainable business performance. Diversity and equality are key focus areas for the Mandatum Group companies, which are committed to providing a diverse, non-discriminatory, open and agreeable working environment where everyone is treated fairly and equally. Risks related to these themes are managed, for example, by having strong internal policies, conducting organizational development programs, and offering employees training, interesting career opportunities and attractive remuneration packages.

Responsible investment management and operations are important in managing investment risks and in mitigating potential adverse impacts on the Group's reputation. Therefore, Sampo Group companies take environmental, social and governance ("ESG") issues into account when assessing the security, quality, liquidity, and profitability of investments. Investment opportunities are carefully analyzed before any investments are made and ESG issues are considered along with other factors that might affect the risk-return ratio of individual investments. Depending on the asset class, Mandatum Group companies use different ESG strategies to ensure the effective consideration and management of investment risks arising from ESG issues. The strategies include, for example, ESG integration, sector-based screening, norms-based screening, and active ownership.

Environmental issues and climate change are factors that are expected to have a mid and long-term effect on Mandatum's businesses. Climate-related risks can be categorized into physical risks and transition risks. Physical risks can be further classified into long-term weather changes (chronic risks) and extreme weather events such as storms, floods, wildfires, or droughts (acute risks). Transition risks refer to risks arising from the shift to a low carbon economy, for example changes in technology, legislation, and consumer sentiment. The strength of the risks depends on the trajectory of global warming. A scenario in line with the Paris Agreement limiting the temperature rise to 1.5°C would have moderate consequences, whereas >3°C and 5°C scenarios would have severe consequences for industry, infrastructure and public health. Especially in geographically vulnerable regions, abandonment of low-lying coastal areas due to rising sea levels and food and water shortages, can lead to large-scale migration and outbreaks of diseases. Investments are particularly exposed to climate-related risk in the form of losses incurred from extreme weather events and possible revaluation of assets as operating models in carbon intense sectors change. Mandatum Group companies analyze the carbon footprint of their investments and their alignment with international climate goals annually.

Natural catastrophes and extreme weather conditions are risk factors affecting the financial position and results of non-life insurers. The increasing likelihood of extreme weather conditions is included in internal risk models. Climate-related risks are managed effectively with reinsurance programs and price assessments.

1.1.3 Reputational Risk

Managing stakeholder relationships means satisfied customers, professional staff, good co-operation with authorities and the trust and approval of the environment. These contribute to a key success factor of the company, its reputation.

Reputational risk refers to the risk that adverse publicity regarding the company's business practices or associations, whether accurate or not, causes a loss of confidence in the integrity of the institution. Reputational risk is often a consequence of a materialized operational or compliance risk and often manifests as a deterioration of reputation amongst customers and other stakeholders. Reputational risk is related to all activities shown in the graph Classification of Risks in Mandatum. As the roots of reputational risk are varied, the tools to prevent it must be diverse and embedded within the corporate culture. These are reflected in how Mandatum deals with environmental issues and its core stakeholders (that is customers, personnel, investors, other co-operation partners, tax authorities and supervisory authorities) and how Mandatum has organized its Corporate Governance system.

1.1.4 Risks Inherent in Business Operations

In its underwriting and investment operations, Mandatum is consciously taking certain risks in order to generate earnings. These earnings risks are carefully selected and actively managed. Underwriting risks are priced to reflect their inherent risk levels and the expected return of investments is compared to the related risks. Furthermore, earnings related risk exposures are adjusted continuously and their impact on the capital need is assessed regularly.

Successful management of underwriting risks and investment portfolio market risks is the main source of earnings for Mandatum Group companies. Day-to-day management of these risks, that is maintaining them within given limits and authorizations is the responsibility of the business areas and the investment unit.

Some risks, such as counterparty default risks and operational risks presented in the graph Classification of Risks in Mandatum are indirect repercussions of Mandatum's normal business activities. They are one-sided risks, which in principle have no related earnings potential. Accordingly, the risk management objective is to mitigate these risks efficiently rather than actively manage them. Mitigation of consequential risks is the responsibility of the business areas and the investment unit. The capital need for these risks is measured by independent risk management functions. It must be noted that the categorization of risks between earnings and consequential risks varies depending on the industry. For Mandatum's clients, for instance, the events that are subject to insurance policies are consequential risks and for Mandatum these same risks are earnings risks.

Some risks such as interest rate, currency and liquidity risks are by their nature simultaneously linked to various activities. In order to manage these risks efficiently, Mandatum Group companies must have a detailed understanding of expected cash flows and their variance within each of the company's activities. In addition, a thorough understanding of how the market values of assets and liabilities may fluctuate at the total balance sheet level under different scenarios is needed. These balance sheet level risks are commonly defined as Asset and Liability Management ("ALM") risks. The ALM risks are one of the focus areas of senior management because of their relevance to risks and earnings in the long run.

In general, concentration risk arises when the company's risk exposures are not diversified enough. When this is the case, an individual extremely unfavorable claim or financial market event, for instance, could threaten the solvency of the company.

Concentrations can evolve within separate activities – large single name or industry specific insurance or investment exposures – or across activities when a single name or an industry is contributing widely to the profitability and risks of the company through both insurance and investment activities.

Concentration risk may also materialize indirectly when profitability and the capital position react similarly to general economic developments or to structural changes in the institutional environment in different areas of business.

1.2 Core Risk Management Activities

To create value for all stakeholders in the long run, Mandatum Group companies must have the following forms of capital in place:

- Financial flexibility in the form of adequate capital and liquidity.
- Good technological infrastructure.
- Intellectual capital in the form of comprehensive proprietary actuarial data and analytical tools to convert this data into information.
- Human capital in the form of skillful and motivated employees.
- Social and relationship capital in the form of good relationships with society and clients to understand the changing needs of different stakeholders.

At the company level, these resources are continuously developed. They are in use when the following core activities related to risk pricing, risk taking, and active management of risk portfolios are conducted.

Appropriate selection and pricing of underwriting risks

- Underwriting risks are carefully selected and are priced to reflect their inherent risk levels.
- Insurance products are developed proactively to meet clients' changing needs and preferences.

Careful selection and execution of investment transactions

- Risk return ratios and sustainability issues of separate investments opportunities are carefully analyzed.
- Transactions are executed effectively.

Effective management of investment portfolios and the balance sheet

- Balance between expected returns and risks in investment portfolios and the balance sheet is optimized, considering the features of insurance liabilities, internally assessed capital needs, regulatory solvency rules and rating requirements.
- Liquidity risks are managed by having an adequate portion of investments in liquid instruments. The portion is mainly dependent on the features of the liabilities.

Effective mitigation of consequential risks

- Counterparty default risks are mitigated by carefully selecting counterparties, applying collateral agreements and assuring adequate diversification.
- High quality and cost-efficient business processes are maintained.
- Continuity and recovery plans are continuously developed to secure business continuity.
- At the Group level, the risk management's focus is on the Group-wide capitalization and liquidity. It is also essential to identify potential risk concentrations and to have a thorough understanding of how reported profits of companies would develop under different scenarios. These concentrations and correlations may have an effect on the Group level capitalization and liquidity buffers as well as on the Group level management actions.

When the above-mentioned core activities are successfully implemented, a balance between profits, risks and capitalization can be achieved both at company and the Group level and shareholder value can be created.

The most important goals of Mandatum's risk management are to ensure the adequacy of capital in relation to the business risks and to limit fluctuations in financial performance, to ensure efficient and continuous business processes in all circumstances and, for all operations, to limit the risks to the levels approved by the Board of Directors.

2. Mandatum Group's Risk Management System

The Boards of Directors of Mandatum Group companies are responsible for the company's risk management and the adequacy of internal control. The Boards of subsidiaries annually approve the risk management and internal control policies, according to which risk management and internal control are arranged as part of the subsidiaries' business activities. The principles must be in line with Sampo Group's risk management principles.

Mandatum Holding's Managing Director has overall responsibility for arranging the Group's risk management in accordance with the Board's guidance. The responsibilities of the Group's Chief Risk Officer are to ensure that risk management and the monitoring thereof are organized appropriately and to an extent that is sufficient in terms of Mandatum's operations. In the subsidiaries, the business areas are responsible for the identification, assessment, control and management of their operational risks. Likewise, the subsidiaries' risk management functions are responsible for the companies' risk management duties.

Overall risk management in Mandatum is monitored according to a separate risk management framework, which is pictured on the next page (Figure 2–1). Some of the committees operate at the Group level, while some are company specific. The Risk Management Committee coordinates the arrangement of risk management and monitors all of the Group's risks. The Committee is chaired by the Managing Director of Mandatum Holding. In addition to Mandatum Holding's Managing Director and the Group's Chief Risk Officer, each risk area has a responsible person in the Committee.

The key role of Mandatum Life's Asset Liability Committee (ALCO) is to monitor and control the market risks related to the life insurance company's with-profit insurance portfolio and to ensure that investment operations are managed within the limits set in the Investment Policy approved by Mandatum Life's Board of Directors. In addition, it monitors the adequacy of liquidity, risk-bearing capacity and solvency capital in relation to balance sheet risks and prepares investment policy proposals for the Board of Directors. The ALCO convenes monthly and reports to Mandatum Life's Board of Directors and the Risk Management Committee. In practice, Mandatum Life has two Asset and Liability Committees, one of which controls the assets and liabilities of the segregated group pension insurance portfolio that was transferred from Suomi Mutual on 30 December 2014, and the other controls the rest of the company's with-profit assets and liabilities.

Mandatum Life's Insurance Risk Committee monitors the comprehensiveness and appropriateness of the life insurance company's management of insurance risks. A key task is to control compliance with and maintain the life insurance company's Underwriting Policy. The Committee reports on risk management issues related to insurance risks and the Underwriting Policy to the Risk Management Committee. The Insurance Risk Committee is chaired by Mandatum Life's Chief Actuary, who is responsible for ensuring that the principles for pricing policies and for the calculation of technical provisions are adequate and in line with the risk selection and claims processes. Mandatum Life's Board of Directors approves the insurance policy pricing guidelines and the central principles for the calculation of technical provisions. In addition, the Board defines the maximum amount of risk to be retained on the company's own account and approves the reinsurance policy annually.

The key role of the Unit-Linked Asset Liability Committee (UL-ALCO) is to monitor and control the investment risks related to Mandatum Life's unit-linked insurance portfolio and to ensure that investment operations are managed within the rules laid down in the unit-linked Asset Liability Policy approved by Mandatum Life's Board of Directors. The UL- ALCO convenes monthly and reports to the Board of Directors and the Risk Management Committee.

It is the role of the Operational Risk Committee to ensure that operational risk management is appropriately arranged in Mandatum. A key task is to ensure that Mandatum has efficient procedures for monitoring and reporting realized operational risks. Significant observations are reported to the Risk Management Committee and to the Boards of the companies. The Operational Risk Committee is also responsible for maintaining and updating risk assessments and the continuity and preparedness plans.

The role of the Information Security and Cyber Risks Committee is to ensure that the management of information security and cyber risks is appropriately arranged and that co-operation and communication on information security and cyber risks between business units, support units and steering functions is seamless. One key task is to ensure that Mandatum has effective procedures for reporting information security and cyber risk events and that the Operational Risk Committee has an adequate picture of the risks. The Committee also keeps track of the general development of information and cyber security and trends related to threats, devises policies concerning information and cyber security and prepares proposals on development measures for decision by other bodies.

Mandatum Asset Management's Risk Management and Compliance Committee acts as a link between the risk management and compliance functions and the business units and ensures an efficient exchange of information between the first and second lines. MAM's Risk Management and Compliance Committee supports risk management by monitoring and ensuring that risk management and compliance processes in the business units are sufficient, appropriate and effective. In addition, the risk management and compliance functions gain background information for their quarterly reports through the committee's activities. The Board of Directors appoints the members of the Risk Management and Compliance Committee. MAM's Risk Management Manager and Compliance Officer are permanent members of the committee. Other members are MAM's quality coordinators, who represent MAM's business functions.

The Compliance unit supports Mandatum's boards of directors and management, ensuring that Mandatum Group companies have the internal guidelines, processes, resources and tools they need to comply with binding laws, regulations and guidelines. The Compliance function is also involved in identifying the organization's risks by assessing the Compliance risks. The Head of the Unit is responsible for the organization of the unit and acts as Mandatum's Compliance Officer and is a member of the Risk Management Committee.

There is no specific committee for business and reputational risks. Those risks are managed as part of the Group's and the company's strategic planning and management of daily operations.

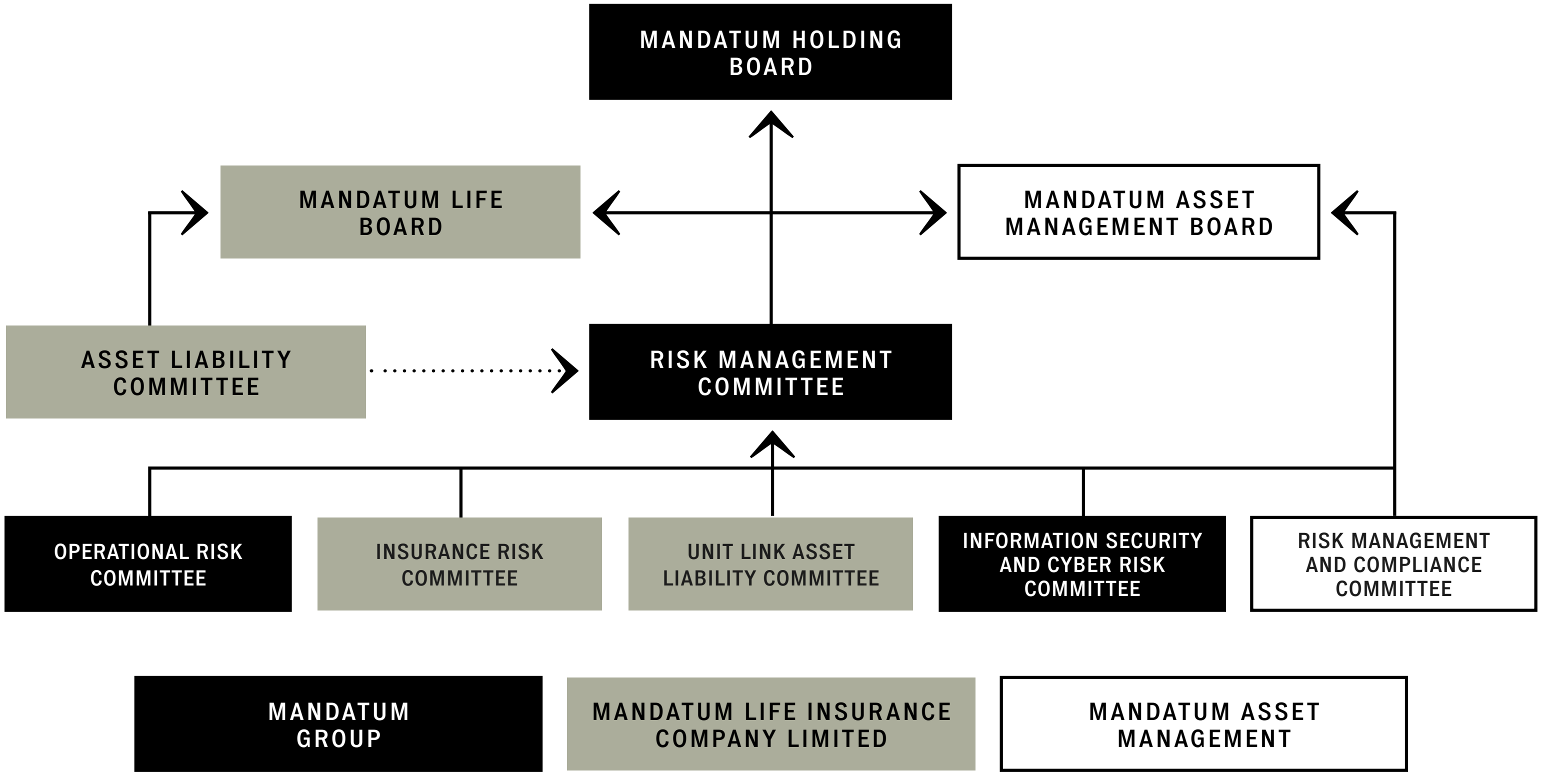
3. Special Characteristics of the Risks of Mandatum Group's Subsidiaries

3.1 Mandatum Life

In addition to market risks, the company's main risks from the perspective of solvency capital requirements are longevity risk and surrender risk, which are part of underwriting risk. These are described in more detail in the notes to the accounts. In addition to those mentioned above, operational and business risks are key risks in terms of business operations and continuity. Operational risks and the management thereof are described in Section 5.

Life insurance business carries and manages risks originating from insurance events and liabilities. There are random fluctuations in the frequency and size of insurance events. The majority of with-profit life insurance business risks and result arise from investment activities. The return on assets should cover, in the long term, at least the guaranteed interest rate, bonuses based on the

Figure 2–1 Risk management organization in Mandatum



principle of fairness and the shareholders' return expectations. Other profit elements are generated from carrying insurance risk and expense risk. The insurance risk result is the assumed claims in premium calculations less the actual claims. The expense result is the expense charges from policies less the actual expenses.

3.2 Mandatum Asset Management Limited

MAM's most significant risk area is operational risks, which is why operational risk management is an important part of the company's risk management. In addition to operational risks, MAM is exposed to liquidity risk. MAM's business is financed with the returns on assets under management, consisting of the commission income clients and partners pay for asset management. MAM has not used external financing for its activities and therefore has no risks related to external financing, such as interest rate risk, foreign exchange risk or refinancing risk. MAM manages its liquidity risk by regularly monitoring its liquidity position and maintaining a liquidity buffer. MAM also keeps track of its liquidity position from the perspective of regulatory liquidity requirements.

Due to its customer portfolio, MAM is also exposed to concentration risk, as most of its clients are Sampo Group companies. Mandatum Life is MAM's largest customer, measured by commission income. The concentration risk is considered to be minor, however, because Mandatum Life and MAM are both part of Sampo Group.

MAM does not trade on its own account and is thus not exposed to market risks that would arise from its own trading activities. However, MAM's commission income is strongly tied to the value of the assets under management, and MAM is exposed to market risk through commission income. The assets under MAM's management are, however, well-diversified across asset classes and industries, but also geographically.

4. Capital and Solvency Management

The goal of solvency capital management is to ensure the adequacy of available capital in relation to risks arising from the company's business activities and business environment, and the goal of capital management is to make sure items accounted as own funds are adequate with respect to capital requirements. The capital requirement is estimated by comparing the amount of eligible own funds to the risk capital requirement that is needed to cover risks resulting from the current business and the external operating environment.

4.1 Mandatum Group

Mandatum's solvency is monitored according to the Solvency II directive. Subsidiaries that belong to some other capital adequacy framework (IFD or CRR) are included in the calculation according to their own capital requirements. Since Mandatum's core business area is life insurance, Mandatum Group does not form a financial and insurance conglomerate.

Mandatum's solvency position is largely determined by Mandatum Life's solvency, and Mandatum's other companies have little significance in terms of solvency requirements, as illustrated in figures 4–1 and 4–2.

Figure 4–1 Own funds, Mandatum Group, 31 December 2021

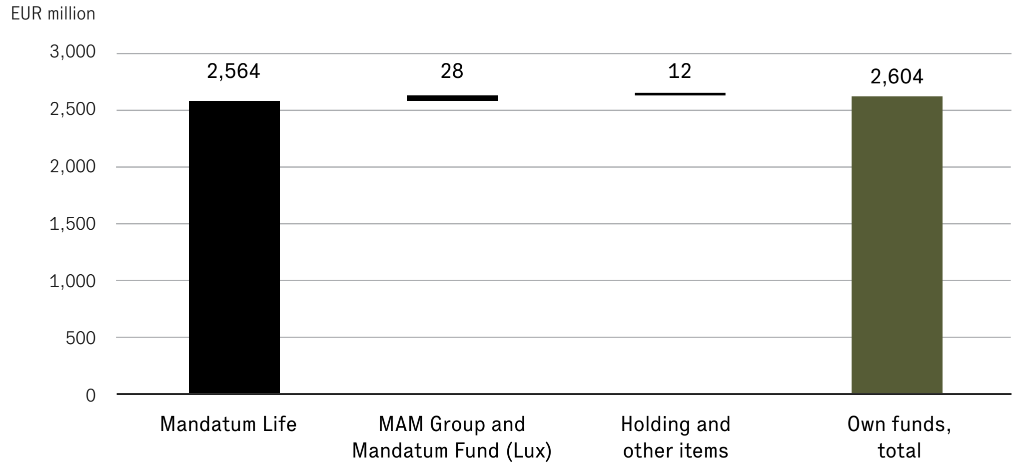
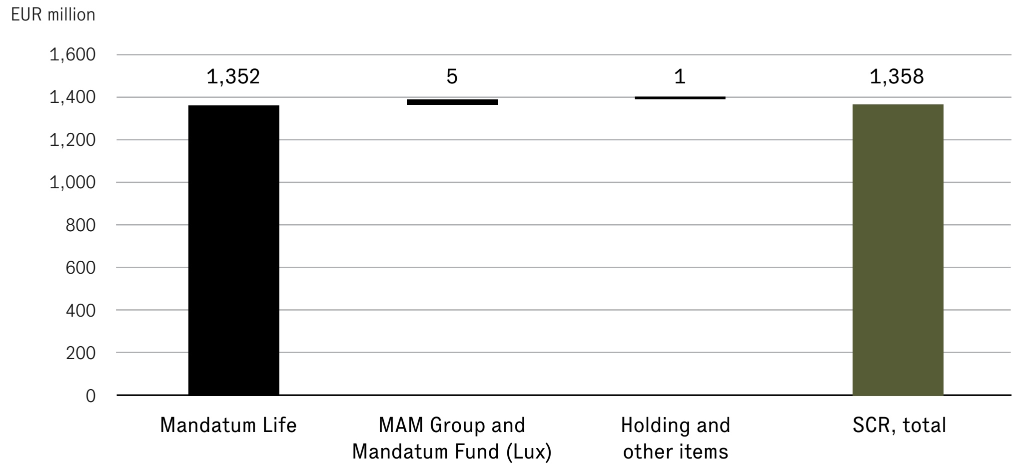


Figure 4–2 Solvency capital requirement, Mandatum Group, 31 December 2021



The next sections describe the various companies' solvency in greater detail.

4.2 Mandatum Life

4.2.1 Regulatory Solvency Capital Requirements

Life insurance is a highly regulated business with formal rules for minimum capital and capital structure. The supervisors of Mandatum Life's operations are the Financial Supervisory Authority in Finland and local supervisors in the Baltic countries. In addition to this, the fund management company that was still part of Mandatum Life Group at the end of 2021 is regulated by the authority in Luxembourg (ownership of the fund management company will transfer from Mandatum Life to MAM in the first half of 2022).

In calculating solvency requirements under Solvency II, Mandatum Life applies the 'standard formula' in which changes in own funds are stressed with market and life insurance risks that have been determined beforehand in the regulations. The goal has been to set the Solvency Capital Requirement (SCR) under Solvency II on a level where the own funds would be sufficient to secure the insured's benefits with a one-year horizon and a 99.5 percent confidence interval.

The amount of own funds under Solvency II is based on the market-consistent valuation and on the valuation of the technical provisions using the yield curve determined by Solvency II, so own funds under Solvency II differ from own funds according to book value. The technical provisions under Solvency II equal the so-called best estimate of the technical provisions plus the risk margin. The best estimate is based on the realistically expected cash flows of the insurance portfolio, which are discounted using the yield curve applied in Solvency II, derived from the risk-free yield curve. In terms of unit-linked insurance, the best estimate is the insurance savings minus the present value of risk and expense surplus related to the unit-linked policies. The basis for the risk margin in the Solvency II framework is a six-percent cost of capital. For life insurance risks and operational risks, the risk margin is the present value of the future cost of capital. Table 4–3 presents the value of the technical provisions in accordance with Solvency II, taking into account the transitional measure on technical provisions and the IFRS accounting value.

Mandatum Life applies a so-called transitional measure on technical provisions for the company's original with-profit pension policies with a guaranteed interest rate of 3.5 or 4.5 percent. The transitional measure for technical provisions continues until 31 December 2031. The transitional measure on technical provisions increases own funds under Solvency II. Table 4–4 presents the structure of the company's own funds on 31 December 2021, taking into account the transitional measure on technical provisions. The majority of the company's own funds are classified as Tier 1 capital. EUR 249 million of the company's subordinated loans are classified as Tier 2 capital. Overall, the company has EUR 349 million in subordinated loans.

Table 4–3 Technical provisions, in accordance with Solvency II and IFRS, 31 December 2021

EUR million	IFRS value	Solvency II value	Adjustment
Technical provisions – life (excluding unit-linked)	3,245	2,913	332
Best Estimate		2,754	
Risk margin		159	
Technical provisions – unit-linked	10,712	10,223	489
Best Estimate		10,130	
Risk margin		93	

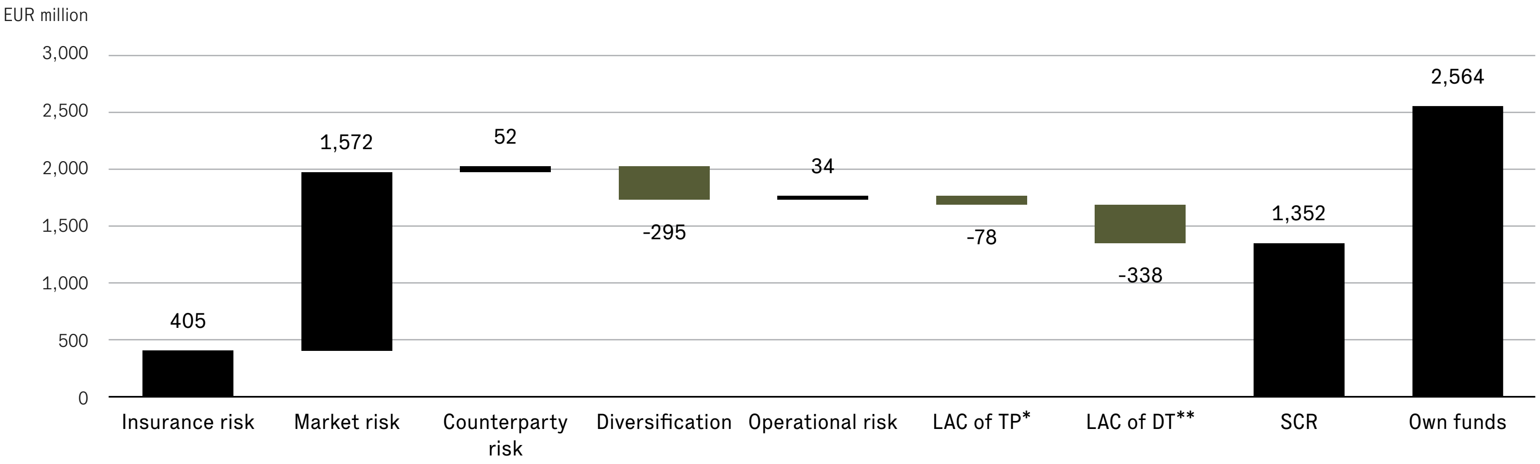
Table 4–4 Own funds, 31 December 2021, taking transitional measures into account

Own funds, 31 December 2021, taking transitional measures into account		EUR million
Tier 1	**Total**	**2,315**
	Ordinary Share Capital	181
	Reconciliation Reserve	2,034
	Subordinated Liabilities	100
Tier 2	**Total**	**249**
	Subordinated Liabilities	249
	Untaxed reserves	0
Tier 3	**Total**	**0**
	Deferred tax assets	0
Eligible own funds		**2,564**

Taking into account the transitional measures, Mandatum Life's own funds under Solvency II amounted to EUR 2,564 million (2,308), and the corresponding SCR according to Solvency II was EUR 1,352 million (1,230). The solvency ratio (own funds/SCR) was thus 190 percent (188). The majority of SCR results from market risks, the most significant ones being equity risk and credit spread risk. The most significant life insurance risk is the surrender risk for unit-linked contracts and risk insurance, and the most significant biometric risk is the longevity risk of the group pension policies. The minimum capital requirement (MCR) according to Solvency II was EUR 338 million (308). Without the transitional measure on technical provisions, the company's own funds would have been EUR 2,263 million (1,977).

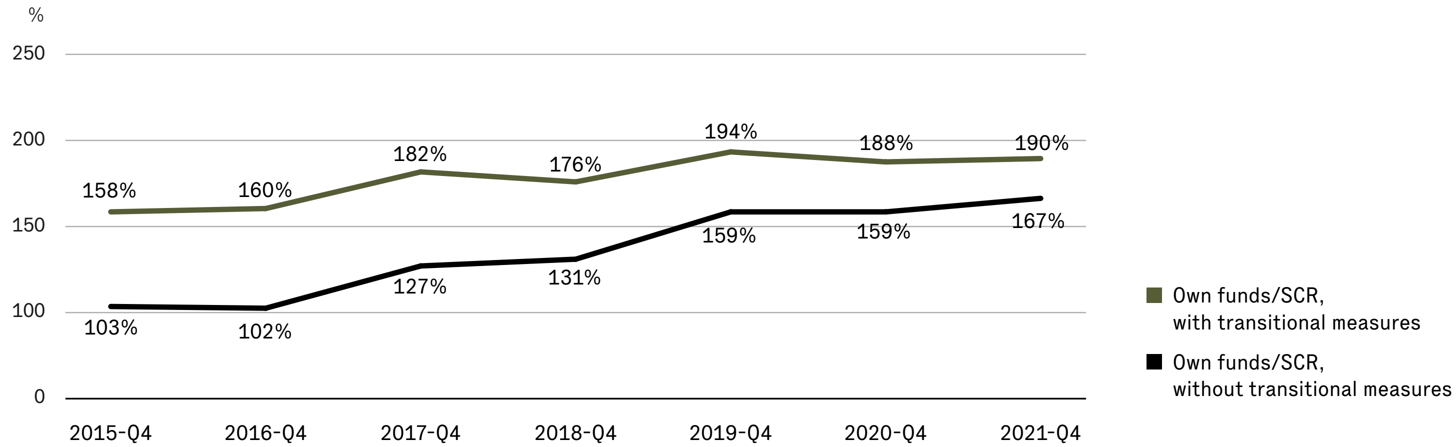
Figure 4–6 presents the development of Mandatum Life's solvency ratio since Solvency II entered into force. The company's strategic choices and their consequences for the structure of technical provisions play a major role in terms of the expected solvency position. Business based on unit-linked policies has been the company's focal area since 2001. Since then, the unit-linked technical provisions have grown, as shown in Figure 4–7. In contrast, the trend of original with-profit technical provisions has been downward since 2005. The parts of technical provisions with the highest guarantees, that is 4.5 and 3.5 percent, have especially decreased. Liabilities with the highest guarantees fell by EUR 164 million during 2021. In total, the with-profit technical provisions decreased by EUR 274 million to EUR 3,247 million (3,521). The development of the structure

Figure 4–5 Solvency II Capital Requirements (SCR) and own funds, 31 December 2021, taking transitional measures into account (LAC = loss absorbing capacity)



*Loss absorbing capacity of technical provisions **Loss absorbing capacity of deferred taxes

Figure 4–6 Development of solvency ratio, 1 January 2016–31 December 2021



and amount of the company's liabilities is shown in Figure 4–7.

In Mandatum Life's view, the calculation according to the transitional measures gives a good picture of the company's solvency position. Mandatum Life's balance sheet and its risk profile are expected to change significantly over the course of the transitional periods. The majority of the solvency capital requirements stem from the with-profit technical provisions and the assets covering them. Especially Mandatum Life's original with-profit insurance policies with a guaranteed interest rate of 3.5 and 4.5 percent tie up capital, and the liabilities for these insurance policies are expected to decrease from the current EUR 1,730 million to approximately EUR 670 million during the transitional periods, as illustrated in Figure 4–8. This trend will strongly reduce the SCR arising from these policies, and the negative impact of these policies on own funds calculated without the transitional measures will simultaneously decrease. Even though the positive impact of the transitional measures will decrease over the course of the transitional period, the solvency position is expected to remain strong as a result of the positive trend in own funds and the decrease in the SCR. Internally, the company monitors and forecasts the solvency ratio both with and without the transitional measures. Both forecasts have an impact on the company's business decisions.

In addition to the Solvency II regulation, which concerns insurance activities, Mandatum Life Fund Management S.A., which is part of Mandatum Life Group, has its own capital requirements based on relevant legislation.

4.2.2 Internal Monitoring of Solvency Position

Solvency II also creates a framework for the internal monitoring of solvency position. The company-level solvency position monitoring model, the 'risk-bearing-capacity model', is based on the SCR calculated using the Solvency II transitional measures and own funds. In the risk-bearing-capacity model, anticipatory monitoring limits are set for the company's solvency position to enable the company to react early enough to any weakening of its solvency position. There are three monitoring limits, and they take into account the solvency position, both with and without the transitional measures. Table 4–9 presents the applicable monitoring limits and the key guiding principles for different zones.

When the risk-bearing capacity is above the upper monitoring limit, Mandatum Life's investment operations are guided, as usual, by the investment policy and the limits set therein. If the risk-bearing capacity falls below the monitoring limits, the monitoring frequency of the solvency position will be strengthened, the Board of Directors' role in investment operations will be increased, risk-taking will be limited and, in the final phase, the solvency position shall be strengthened either by reducing market risks or by increasing own funds, for example, through capitalization. In practice, the measures depend on the situation at hand and the general market situation. Thus, the actual measures may differ from the principles presented above if the Board of Directors sees fit.

In addition to Mandatum Life's company-level risk-bearing-capacity model, the company also

Figure 4–7 Development of with-profit and unit-linked liabilities 2012–2021

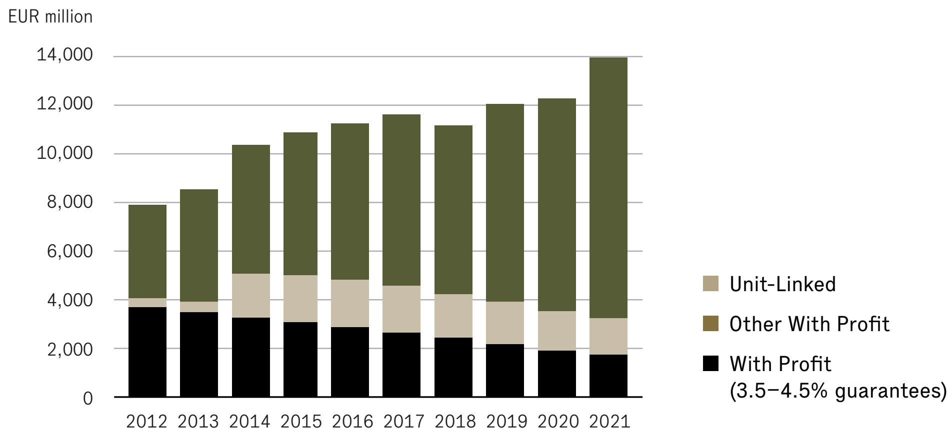
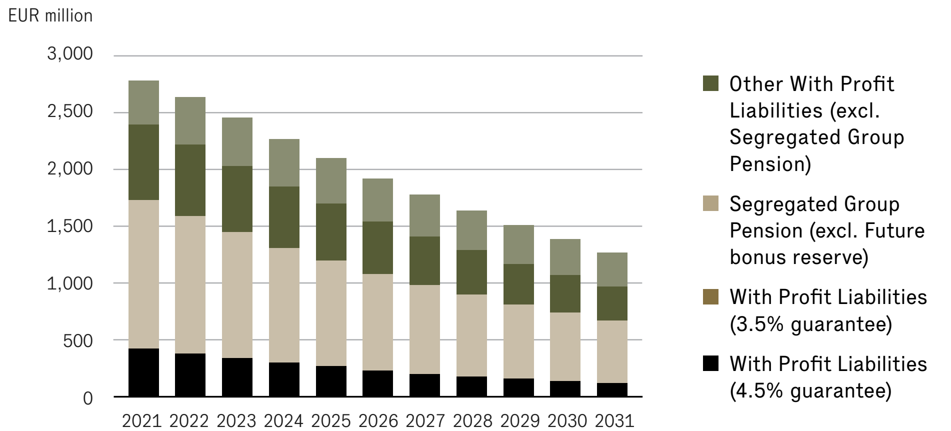


Figure 4–8 Prognosis of existing with-profit liabilities 2021–2031 without new sales



has its own risk-bearing-capacity monitoring in place for the segregated group pension portfolio. The risk-bearing capacity of the segregated group pension portfolio is based on the buffering effect of the future bonus reserves in the investment risks. The monitoring limits of risk-bearing-capacity monitoring are also based on asset stress tests that have been determined beforehand, and the measures in the case of falling below the monitoring limits are similar to those in the company-wide risk-bearing-capacity model.

The risk-bearing-capacity model and the monitoring limits contained therein are determined annually in the Risk Management Policy decided on by the Board of Directors. The risk-bearing capacities and monitoring limits are reported to the Board of Directors at least monthly.

4.3 Mandatum Asset Management Limited

4.3.1 Regulatory Capital Adequacy Requirements

Like life insurance, investment services are a highly regulated business with formal rules for minimum capital and capital structure. MAM's operations are supervised by the Financial Supervisory Authority. In addition, the fund management company that was still part of Mandatum Life Group at the end of 2021 is regulated by the authority in Luxembourg. Ownership of the company will transfer from Mandatum Life to MAM in the first half of 2022.

As an investment firm, MAM complies with the EU's directive on the prudential supervision of investment firms and capital adequacy regulation. MAM and its subsidiary Mandatum AM AIFM together form an investment firm group ("MAM Group"), which complies with the same capital adequacy regulations on a consolidated basis.

MAM's and MAM Group's own funds at 31 December 2021 consisted solely of Common Equity Tier 1 capital. Table 4–10 presents the composition of MAM's and MAM Group's own funds.

According to the regulatory framework, an investment firm's own funds requirement is the highest of the following:

- the fixed overheads requirement
- the permanent minimum capital requirement
- the K-factor requirement

MAM's and MAM Group's capital requirements were determined according to the fixed overheads at 31 December 2021. MAM's K-factor requirement is small, because MAM's customers are mainly financial sector entities that have outsourced their asset management to MAM.

4.3.2 Internal Monitoring of Solvency Position

MAM regularly monitors its capital adequacy position and assesses its capital adequacy at least yearly in line with the internal capital adequacy assessment process (ICAAP) approved by the Board. The assessment of capital adequacy is based on an analysis of MAM's risk profile and risk appetite. MAM also actively assesses the impacts of any changes in its risk profile and in the operating environment on its capital adequacy position in order to ensure continuously sufficient own funds to cover operational risks and a strong solvency

Table 4–9 Internal risk monitoring framework (risk-bearing-capacity model)

Solvency ratio with the transitional measures	Solvency ratio without the transitional measures	Guiding principle
>160%	>125%	Normal activities
<160%	<125%	Enhanced monitoring
<145%	<115%	Limited risk-taking
<135%	<107.5%	Reduced risks

Table 4–10 Own funds and solvency requirement, MAM and MAM Group, 31 December 2021

EUR million	MAM	MAM Group
Common Equity Tier 1 capital before deductions	69.8	71.8
Share capital	0.1	0.1
Reserve for invested unrestricted equity	63.3	63.3
Retained earnings	6.4	8.4
Deductions	-46.2	-47.1
Common Equity Tier 1 capital after deductions	23.6	24.7
Additional tier 1 capital	0	0
Tier 2 capital	0	0
Own funds total	**23.6**	**24.7**
Capital requirement	**2**	**4.5**
Capital adequacy ratio	**1,197%**	**551%**

position. In MAM Group, the assessment of capital adequacy position takes place primarily at the company level, and in its capital adequacy assessment, Mandatum AM AIFM follows the same principles as MAM where applicable.

MAM's risk management unit reports on MAM's and MAM Group's capital adequacy position to management and the Board of Directors quarterly.

5. Operational Risks

Operational risk refers to the risk of loss resulting from inadequate or failed processes or systems, from personnel and systems or from external events. This definition includes legal risk but excludes risks resulting from strategic decisions. Risks can materialize due to the following events:

- internal misconduct
- external misconduct
- insufficient human resources management
- insufficiencies in operating policies as far as customers, products or business activities are concerned
- damage to physical property
- interruption of activities and system failures
- defects in the operating process.

Realized operational risks may lead to additional expenses, revenue losses, loss of reputation and possibly official sanctions.

5.1 Goal of Operational Risk Management and Governance

The goal of operational risk management is to identify risks ahead of time, manage risks effectively and strive to minimize beforehand the impacts of any realized risks in a cost-effective manner. Business units are responsible for the identification, assessment, monitoring and management of their own operational risks. The Operational Risk Committee (ORC) monitors and coordinates central issues regarding operational risks, such as policies and recommendations. The Committee ensures that risks are identified and that business units have organized internal control and risk management adequately. The Committee also analyzes deviations from operational risk management policies and monitors operational risks identified in the self-assessments as well as the occurred incidents. Significant observations on operational risks are submitted to the Risk Management Committee and to the Board of Directors.

5.2 Operational Risk Identification and Management

Operational risks are identified through several different sources and methods:

1. Self-assessment: Mapping and evaluating the major operational risks and their probabilities and significance are carried out through a regular self-assessment process, including an evaluation of internal controls and sufficiency of instructions.
2. Analysis of risk events: Realized operational risk events and near misses reported by the business units are collected and analyzed by the ORC. Each business unit is responsible for reporting realized operational risk events and near misses in accordance with the company's practices.

Risks recognized in the company's self-assessment process for identifying key operational risks include the following: data governance issues, the ageing of IT and particularly information systems, as well as possible errors in processes that involve considerable manual work stages.

In order to limit operational risks, the company has approved a number of policies including, but not limited to, the Risk Management Policy, Internal Control Policy, Compliance Policy, Security Policies, Continuity Plans, Acquisition and Outsourcing Policy, Complaints Handling Policy and a number of other policies related to ongoing operative activities. Deviations against different policies are followed up in each business unit and reported to the compliance function and risk management function.

The internal control system in processes aims at preventing and identifying negative incidents and minimizing their impact. In addition, realized operational risk events or near misses are analyzed and reported to the ORC by the risk management function.

6

IFRS FINANCIAL STATEMENTS FOR 2021

MANDATUM

Consolidated Comprehensive Income Statement

EUR million	Note	Jan–Dec 2021	Jan–Dec 2020
Insurance premiums	1	1,367.0	1,050.8
Net income from investments	2	1,787.2	586.7
Other operating income		40.2	25.7
Claims incurred	3	-1,127.0	-1,089.1
Change in liabilities for insurance and investment contracts	4	-1,642.1	-272.5
Staff costs	5	-65.4	-53.0
Other operating expenses	6	-99.6	-82.3
Finance costs	7	-13.8	-12.4
Share of associates' profit/loss		0.6	0.0
Profit before taxes		**247.1**	**153.9**
Taxes	19	-50.9	-36.8
Non-controlling interests		0.1	0.0
Profit for the period		**196.3**	**117.0**
Other comprehensive income	20–21		
Items reclassifiable to profit or loss			
Shadow accounting		5.4	0.8
Available-for-sale financial assets		126.2	119.1
Income tax relating to components of other comprehensive income		-25.2	-23.8
Other comprehensive income, items reclassifiable to profit or loss net of tax, total		**106.4**	**96.1**
TOTAL COMPREHENSIVE INCOME		**302.6**	**213.2**

Consolidated Balance Sheet

EUR million	Note	Jan–Dec 2021	Jan–Dec 2020
Assets			
Property, plant and equipment	8	27.6	29.6
Investment property	9	129.4	133.7
Intangible assets	10	54.3	6.6
Investments in associates	11	1.3	0.6
Financial assets	12–16	4,427.4	4,839.1
Investments related to unit-linked insurance and investment contracts	17	10,557.6	8,805.3
Reinsurers' share of insurance liabilities	24	1.5	1.0
Other assets	22	157.0	107.1
Cash and cash equivalents	23	918.1	682.4
Assets classified as held for sale	38	196.4	0.0
Total assets		**16,470.6**	**14,605.4**
Equity	30		
Share capital		5.0	40.4
Reserves		1,174.2	663.1
Retained earnings		558.9	877.5
Equity attributable to owners of the parent		**1,738.1**	**1,580.9**
Non-controlling interests		0.0	0.0
Total equity		**1,738.1**	**1,580.9**
Liabilities			
Liabilities for insurance and investment contracts	24	3,236.4	3,521.1
Liabilities for unit-linked insurance and investment contracts	25	10,525.5	8,765.2
Financial liabilities	13, 26	374.7	352.4
Tax liabilities	18	158.6	138.8
Other liabilities	28	240.9	246.9
Liabilities associated with assets held for sale	37	196.4	0.0
Total liabilities		**14,732.5**	**13,024.5**
Total equity and liabilities		**16,470.6**	**14,605.4**

Consolidated Statement of Changes in Equity

EUR million	Share capital	Share premium account	Legal reserve	Reserve for invested for non-restricted equity	Retained earnings	Available-for-sale financial assets*	Available-for-sale financial assets** IFRS 4.30	Total
Equity at 1 Jan 2020	**40.4**	**98.9**	**29.9**	**0.0**	**760.4**	**467.8**	**-29.6**	**1,367.7**
Changes in equity								
Dividends								**0.0**
Total comprehensive income for the year					117.0	95.3	0.8	**213.2**
Transfers between equity					0.0			**0.0**
Equity at 31 Dec 2020	**40.4**	**98.9**	**29.9**	**0.0**	**877.5**	**563.1**	**-28.8**	**1,580.9**
Changes in equity								
Dividends					-200.0			**-200.0**
Total comprehensive income for the year					196.3	100.9	5.4	**302.6**
Transfers between equity	-35.4	-98.9	-29.9	55.0	163.7			**54.5**
Equity at 31 Dec 2021	**5.0**	**0.0**	**0.0**	**55.0**	**1,037.5**	**664.1**	**-23.4**	**1,738.1**

*The amount recognized in equity from available-for-sale financial assets for the period totaled EUR 380.0 million (213.4). The amount transferred to P&L amounted to EUR 253.8 million (94.2).

**Policyholders' share, according to shadow accounting.

The amounts included in the translation of foreign operations and available-for-sale financial assets represent other comprehensive income for each component, net of tax.

Consolidated Statement of Cash Flows

EUR million	Jan–Dec 2021	Jan–Dec 2020
Operating activities		
Profit before taxes	247.1	153.9
Adjustments:		
Depreciation and amortization	8.1	7.5
Unrealized gains and losses arising from valuation	-1,292.6	-251.8
Realized gains and losses on investments	-292.1	-114.3
Change in liabilities for insurance and investment contracts	1,671.5	243.2
Other adjustments	46.5	27.9
Adjustments total	**141.5**	**-87.6**
Change (+/-) in assets of operating activities		
Investments*	134.9	-322.2
Other assets	-41.2	45.3
Total	**93.7**	**-276.9**
Change (+/-) in liabilities of operating activities		
Financial liabilities	25.9	-11.8
Other liabilities	-19.7	1.0
Paid interest and taxes	-24.5	-33.9
Paid income taxes	-66.0	-27.9
Total	**-84.4**	**-72.6**
Net cash from operating activities	**397.9**	**-283.2**

EUR million	Jan–Dec 2021	Jan–Dec 2020
Investing activities		
Investments in group and associated undertakings	-12.5	0.0
Net investment in equipment and intangible assets	0.2	-1.4
Net cash from investing activities	**-12.3**	**-1.4**
Financing activities		
IFRS 16 lease liabilities	-1.5	14.7
Subordinated loan	0.0	0.2
Invested unrestricted equity fund	55.0	0.0
Group contribution	-3.4	0.0
Dividends paid	-200.0	0.0
Net cash from financing activities	**-149.9**	**14.8**
Total cash flows	**235.7**	**-269.7**
Cash and cash equivalents at 1 Jan	682.4	952.1
Cash and cash equivalents at 31 Dec	918.1	682.4
Net change in cash and cash equivalents	**235.7**	**-269.7**
Additional information to the statement of cash flows:		
Interest income received	101.1	80.9
Interest expense paid	-24.5	-33.9
Dividend income received	40.6	35.8

*Investments include investment property, financial assets and investments related to unit-linked insurance and investment contracts.

The items of the statement of cash flows cannot be directly concluded from the balance sheets due to e.g. exchange rate differences.

Cash and cash equivalents include cash at bank and in hand EUR 918.1 million (682.4).

MANDATUM GROUP

Summary of Significant Accounting Policies

Mandatum's consolidated financial statements for 2021 have been prepared in compliance with the International Financial Reporting Standards (IFRS). In preparing the financial statements, Mandatum Life has applied all the standards and interpretations relating to its business, adopted by the commission of the EU and effective at 31 December 2021.

In preparing the notes to the consolidated financial statements, attention has also been paid to the Finnish accounting and company legislation and applicable regulatory requirements.

The financial statements have for the most part been prepared under the historical cost convention. Exceptions are, that is financial assets and liabilities at fair value through P&L, financial assets available-for-sale, hedged items in fair value hedges and share-based payments settled in equity instruments measured at fair value.

The consolidated financial statements are presented in euros (EUR), rounded to the nearest million, unless otherwise stated. The comparison figures used for the Group are Mandatum Life Group's 2020 figures.

At the start of 2021, a restructuring was implemented in Mandatum Group in which the life insurance and asset management business that made up Mandatum Life Insurance Company Limited and its subsidiaries were transferred from Sampo plc as a tax-neutral transfer of assets in kind (as referred to in Section 52 d of the Act on the Taxation of Business Income) to the new company to be established for the business transfer, that is to Mandatum Holding Ltd, in exchange for shares issued by the latter. After the business transfer, Mandatum Life Insurance Company Limited sold the subsidiary that was part of its fixed assets, Mandatum Life Investment Services Ltd (currently Mandatum Asset Management Ltd), to Mandatum Holding Ltd for a cash consideration.

As part of the restructuring, Sampo plc transferred its investment business to Mandatum Asset Management Ltd as a business transfer on 1 September 2021. According to IFRS 3.B1, the IFRS 3 Business Combinations standard does not apply to a business combination of entities or businesses under common control. According to IAS 8.12, management may also consider the most recent pronouncements of other standard-setting bodies, other accounting literature and accepted industry practices. Thus, based on management considerations, it was decided to apply IFRS 3 to the business transaction in question, which reflects the economic substance of the transaction. Entries relating to the business combination were recorded in the Group's accounts in accordance with the acquisition cost calculation. Due to the entries, goodwill was generated in the Group that has not been presented in previous years.

Consolidation

Subsidiaries

The consolidated financial statements cover the parent company Mandatum Holding Ltd and all those companies in which the Group has control. The Group controls a company if the Group is exposed, or has rights, to variable returns from its involvement with the company and has the ability to affect those returns through exercising its power over the company. Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date that control ceases. The Group acts as an investor and a manager of investment funds in various funds in order to get investment returns and fee income. If the Group is exposed to variable returns from a fund or participates in the direction of its relevant activities and the organization of its administration, the fund must be consolidated. The Group monitors any changes in such control on a quarterly basis.

The acquisition method of accounting is used for the purchase of subsidiaries. The cost of an acquisition is allocated to the identifiable assets, liabilities, and contingent liabilities, which are measured at the fair value of the date of the acquisition. Possible non-controlling interest of the acquired entity is measured either at fair value or at proportionate interest in the acquiree's net assets. The acquisition-specific choice affects both the amount of recognized goodwill and non-controlling interest. The excess of the aggregate of consideration transferred, non-controlling interest and possibly previously held equity interest in the acquiree, over the Group's share of the fair value of the identifiable net assets acquired, is recognized as goodwill.

The accounting policies used throughout the Group for the purposes of consolidation are consistent with respect to similar business activities and other events taking place in similar conditions. All intra-group transactions and balances are eliminated upon consolidation.

Associates

Associates are entities in which the Group has significant influence, but no control over the financial management and operating policy decisions. Unless otherwise demonstrated, this is generally presumed when the Group holds in excess of 20 percent, but no more than 50 percent, of the voting rights of an entity. Investments in associates are treated by the equity method of accounting, in which the investment is initially recorded at cost and increased (or decreased) each year by the Group's share of the post-acquisition net income (or loss), or other movements reflected directly in the equity of the associate. If the Group's share of the associate's loss exceeds the carrying amount of the investment, the investment is carried at zero value, and the loss in excess is consolidated only if the Group is committed to fulfilling the obligations of the associate. Goodwill arising on the acquisition is included in the cost of the investment. Unrealized gains (losses) on transactions are eliminated to the extent of the Group's interest in the entity.

The share of associates' profit or loss, equivalent to the Group's holding, is presented as a separate line in the income statement. The Group's share of associate's changes in other comprehensive income is presented in the Group's other comprehensive income items.

If there is any indication that the value of the investment may be impaired, the carrying amount is tested by comparing it with its recoverable amount. The recoverable amount is the higher of its value in use or its fair value less costs to sell. If the recoverable amount is less than its carrying amount, the carrying amount is reduced to its recoverable amount by recognizing an impairment loss in the profit/loss. If the recoverable amount later increases and is greater than the carrying amount, the impairment loss is reversed through profit and loss.

Foreign Currency Translation

The consolidated financial statements are presented in euro, which is the functional and reporting currency of the Group and the parent company. Items included in the financial statements of each of the Group entities are measured using their functional currency, being the currency of the primary economic environment in which the entity operates. Foreign currency transactions are translated into the appropriate functional currency using the exchange rates prevailing at the dates of transactions or the average rate for a month. The balance sheet items denominated in foreign currencies are translated into the functional currency at the rate prevailing at the balance sheet date.

Exchange differences arising from translation of transactions and monetary balance sheet items denominated in foreign currencies into functional currency are recognized as translation gains and losses in profit or loss. Exchange differences arising from equities classified as available-for-sale financial assets are included directly in the fair value reserve in equity.

Segment Reporting

Mandatum Group's segmentation is based on division by product group and business activity. The reported segments are "Unit-linked contracts," other contracts and asset management solutions.

The investment risks vary by product group. The segment results are reported to the management of the company as part of management reporting.

Investments related to unit-linked contracts and return on these investments, including commissions received by Mandatum Life from fund management companies, have been allocated to the segment "Unit-linked contracts". Allocation of operational expenses, including depreciation and amortization, and tangible and intangible assets has been carried out through internal cost accounting.

In the inter-segment and inter-company pricing, for both domestic and cross border transactions, market-based prices are applied. The pricing is based on the code of conduct on Transfer Pricing Documentation in the EU and OECD guidelines.

Interest and Dividends

Interest income and expenses are recognized in the income statement using the effective interest rate method. This method recognizes income and expenses on the instrument evenly in proportion to the amount outstanding over the period to maturity. Dividends on equity securities are recognized as revenue when the right to receive payment is established.

Fees and Commissions

The fees and transaction costs of financial instruments measured at fair value through profit or loss are recognized in profit or loss when the instrument is initially recognized.

In life insurance business, the acquisition costs are treated as fee and commission expense under 'Other operating expenses'.

Other fees and commissions paid for investment activities are included in 'Net income from investments'.

Insurance Premiums

Insurance and investment contract liabilities are long term liabilities. Therefore, the insurance premiums and related claims are usually not recognized in the same accounting period. Depending on the type of insurance, premiums are primarily recognized in premiums written when the premium has been paid. In group pension insurance, a part of the premiums is recognized already when charged.

The change in the provisions for unearned premiums is presented as an expense under 'Change in insurance and investment contract liabilities'.

Financial Assets and Liabilities

Based on the measurement practice, financial assets and liabilities are classified in the following categories upon the initial recognition: financial assets at fair value through profit or loss, loans and receivables, available-for-sale financial assets, financial liabilities at fair value through profit or loss, and other liabilities.

According to the Group's risk management policy, investments are monitored and managed at fair value in order to have the most realistic and real-time picture of investments, and they are reported to the Group key management at fair value. Investments comprise debt and equity securities. They are mainly classified as financial assets available-for-sale or recognized at fair value through P&L.

The fair valuation of financial assets is based on either published price quotations or valuation techniques based on market observable inputs, where available. For a limited amount of assets, the value must be determined using other techniques. The financial instruments measured at fair value have been classified into three hierarchy levels in the notes, depending on, for example, whether the market for the instrument is active or if the inputs used in the valuation technique are observable.

On level 1, the measurement of the instrument is based on quoted prices in active markets for identical assets or liabilities.

On level 2, inputs for the measurement of the instrument include also other than quoted prices observable for the asset or liability, either directly or indirectly by using valuation techniques.

On level 3, the measurement is based on other inputs rather than observable market data. The majority of Mandatum Life's level 3 assets are private equity and alternative funds.

For private equity funds, the valuation of the underlying investments is conducted by the fund manager, who has all the relevant information required in the valuation process. The valuation is usually updated quarterly based on the value of the underlying assets and the amount of debt in the fund. There are several valuation methods, which can be based on, for example, the acquisition value of the investments, the value of publicly traded peer companies, the multiple-based valuation or the cashflows of the underlying investments. Most private equity funds follow the International Private Equity and Venture Capital Valuation (IPEV) guidelines, which give detailed instructions on the valuation of private equity funds.

For alternative funds, the valuation is also conducted by the fund managers. Alternative funds often have complicated structures, and the valuation is dependent on the nature of the underlying investments. There are many different valuation methods that can be used, for example, the method based on the cashflows of the underlying investments. The operations and valuation of alternative funds are regulated, for example, by the Alternative Investment Fund Managers Directive (AIFMD), which determines the principles and documentation requirements of the valuation process.

Insurance contracts with a discretionary participation feature (DPF) are measured in accordance with national valuation principles rather than at fair value. These contracts and investments made to cover shareholders' equity are managed in their entirety and are classified mainly as available-for-sale financial assets. An exception to this is investments related to unit-linked insurance, which are measured as financial assets at fair value through profit or loss, presented separately in the balance sheet. The corresponding liabilities are also presented separately.

Recognition and Derecognition

Purchases and sales of financial assets at fair value through profit or loss and available-for-sale financial assets are recognized and derecognized on the trade date, which is the date on which the Group commits to purchase or sell the asset. Loans and receivables are recognized when cash is advanced.

Financial assets and liabilities are offset, and the net amount is presented in the balance sheet only when the Group has a legally enforceable right to set off the recognized amounts and it intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Financial assets are derecognized when the contractual rights to receive cash flows have expired or the Group has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is discharged or cancelled or expired.

Financial Assets and Financial Liabilities at Fair Value Through Profit or Loss

In the Group, financial assets and liabilities at fair value through profit or loss are financial assets held for trading and financial assets designated to be recognized at fair value through profit or loss.

Financial Assets Held for Trading

A financial asset that is held for the purpose of selling or buying in the short term or which belongs to a portfolio that is managed together or is repeatedly used for short-term profit-taking is classified as an asset held for trading. Such assets held for trading are initially recognized at fair value. Gains and losses arising from changes in fair value, or realized on disposal, together with related interest income and expenses and dividend income, are recognized in the income statement.

Also, derivative instruments that are not designated as hedges and do not meet the requirements for hedge accounting are classified as financial assets for trading purposes.

Financial derivatives held for trading are initially recognized at fair value. Derivative instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Derivative instruments are recognized at fair value, and gains and losses arising from changes in fair value together with realized gains and losses are recognized in the income statement.

Financial Assets Designated as at Fair Value Through Profit or Loss

Financial assets designated as at fair value through profit or loss are assets which, at inception, are irrevocably designated as such. They are initially recognized at their fair value. They are recognized in the income statement and balance sheet accordingly with the above-explained assets held for trading.

Loans And Receivables

Loans and receivables comprise non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the short term. The category also comprises cash.

Loans and receivables are initially recognized at their fair value, plus the transaction costs directly attributable to the acquisition of the asset. Loans and receivables are subsequently measured at amortized cost using the effective interest rate method.

Available-for-Sale Financial Assets

Available-for-sale financial assets are non-derivative financial investments that are designated as available for sale and or are not categorized into any other category. Available-for-sale financial assets comprise debt and equity securities.

Available-for-sale financial assets are initially recognized at fair value, including direct and incremental transaction costs. They are subsequently remeasured at fair value, and the changes in fair value are recorded in other comprehensive income and presented in the fair value reserve, taking the tax effect into account. Interest income and dividends are recognized in profit or loss. When the available-for-sale assets are sold, the cumulative change in the fair value is transferred from equity and recognized together with realized gains or losses in profit or loss. The cumulative change in the fair value is also transferred to profit or loss when the assets are impaired, and the impairment loss is recognized. Exchange differences due to available-for-sale monetary balance sheet items are always recognized directly in profit or loss.

Other Financial Liabilities

Other financial liabilities comprise debt securities in issue and other financial liabilities.

Other financial liabilities are recognized when the consideration is received and measured to amortized cost using the effective interest rate method.

If debt securities issued are redeemed before maturity, they are derecognized and the difference between the carrying amount and the consideration paid at redemption is recognized in profit or loss.

Fair Value

The fair value of financial instruments is determined primarily by using quoted prices in active markets. Instruments are measured either at the bid price or at the last trade price if there is an auction policy in the stock market of the price source. The exception is syndicated loans, which are measured at the average rate due to lower liquidity. The financial derivatives are also measured at the last trade price. If the financial instrument has a counter-item that will offset its market risk, the same price source is used in assets and liabilities to that extent. If a published price quotation does not exist for a financial instrument in its entirety, but active markets exist for its component parts, the fair value is determined on the basis of the relevant market prices of the component parts.

If a market for a financial instrument is not active, or the instrument is not quoted, the fair value is established by using generally accepted valuation techniques, including recent arm's length market transactions between knowledgeable, willing parties, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

If the fair value of a financial asset cannot be determined, historical cost is deemed to be a sufficient approximation of fair value. The amount of such assets in the Group balance sheet is immaterial.

Impairment of Financial Assets

Mandatum Life assesses at the end of each reporting period whether there is any objective evidence that a financial asset, other than those at fair value through P&L, may be impaired. A financial asset is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset, and if that event has an impact that can be reliably estimated on the estimated future cash flows of the financial asset.

Financial Assets Carried at Amortized Cost

There is objective evidence of impairment if an issuer or debtor for example encounters significant financial difficulties that will lead to insolvency and to estimation that the customer will probably not be able to meet the obligations to the Group. Objective evidence is first assessed for financial assets that are individually significant, and individually and collectively for financial assets not individually significant.

When there is objective evidence of impairment of a financial asset carried at amortized cost, the amount of the loss is measured as the difference between the receivable's carrying amount and the present value of estimated future cash flows discounted at the receivable's original effective interest rate. The difference is recognized as an impairment loss in profit or loss. The impairment is assessed individually.

If, in a subsequent period, the amount of the impairment loss decreases, and the decrease can objectively be related to an event occurring after the impairment was recognized (for example the default status is removed), the previously recognized impairment loss shall be reversed through profit or loss.

Available-for-Sale Financial Assets

Objective evidence of an impairment of available-for-sale financial assets is evaluated in a separate assessment, which is done if the credit rating of an issuer has declined or the entity is placed on a watch list, or there is a significant or prolonged decline in the fair value of an equity instrument below its original acquisition cost.

The decision on whether the impairment is significant or prolonged requires an assessment by management. The assessment is done case by case and with consideration paid not only to qualitative criteria, but also to historical changes in the value of an equity as well as the time period during which the fair value of an equity security has been lower than the acquisition cost. The impairment is normally assessed to be significant if the fair value of a listed equity or participation decreases below the average acquisition cost by 20 percent for a prolonged period when the fair value has been lower than the acquisition cost for over 12 months.

As there are no quoted prices available in active markets for unquoted equities and participations, the aim is to determine their fair value with the help of generally accepted valuation techniques available in the markets. The most significant share of unquoted equities and participations is private equity and venture capital investments. They are measured in accordance with the generally accepted International Private Equity and Venture Capital Guidelines (IPEV).

The significance and prolongation of the impairment in the last-mentioned cases are assessed case by case, taking into consideration special factors and circumstances related to the investment. Mandatum Life invests in private equity and venture capital in order to keep them until the end of their life cycle, so the typical lifetime is 10–12 years. In general, a justifiable assessment of a potential impairment may only be done towards the end of the life cycle. However, if there is also a well-founded reason to believe that an amount equivalent to the acquisition cost will not be recovered when selling the investment, an impairment loss is recognized.

An impairment on equity funds is recognized in line with the principles above when the starting year of the funds is at least 10 years old and the carrying amount of the fund is maximum EUR 500,000. In these cases, both the fair value and the carrying amount are booked to zero. An impairment is only made to those funds for which the benchmarks are met in all Sampo Group companies' portfolios.

In the case of debt securities, the amount of the impairment loss is assessed as the difference between the acquisition cost, adjusted with capital amortizations and accruals, and the fair value at the review time, reduced by the impairment loss previously recognized in profit or loss.

When it is assessed that there is objective evidence of impairment in debt or equity securities classified as financial assets available-for-sale, the cumulative loss recognized in other comprehensive income is transferred from equity and recognized in profit or loss as an impairment loss.

If, in a subsequent period, the fair value of a debt security increases and the increase can objectively be related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss shall be reversed by recognizing the amount in profit or loss.

If the fair value of an equity security increases after the impairment loss was recognized in profit or loss, the increase shall be recognized in other comprehensive income. If the value keeps decreasing below the acquisition cost, an impairment loss is recognized through profit or loss.

Derivative Financial Instruments and Hedge Accounting

Derivative financial instruments are classified as those held for trading and those held for hedging, including interest rate derivatives, credit risk derivatives, foreign exchange derivatives, equity derivatives and commodity derivatives. Derivative instruments are measured initially at fair value. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Derivatives Held for Trading

Derivative instruments that are not designated as hedges and embedded derivatives separated from a host contract are treated as held for trading. They are measured at fair value, and the change in fair value, together with realized gains and losses and interest income and expenses, is recognized in profit or loss.

If derivatives are used for hedging, but they do not qualify for hedge accounting as required by IAS 39, they are treated as held for trading.

Derivative Financial Instruments and Hedge Accounting

The Group may hedge its operations against interest rate risks, currency risks and price risks through fair value hedging and cash flow hedging. Cash flow hedging is used as a protection against the variability of the future cash flows, while fair value hedging is used to protect against changes in the fair value of recognized assets or liabilities. During the financial year, fair value hedging was applied in the Group.

Hedge accounting applies to hedges that are effective in relation to the hedged risk and meet the hedge accounting requirements of IAS 39. The hedging relationship between the hedging instrument and the hedged item, as well as the risk management objective and strategy for undertaking the hedge, are documented at the inception of the hedge. In addition, the effectiveness of a hedge is assessed both at inception and on an ongoing basis to ensure that it is highly effective throughout the period for which it was designated. Hedges are regarded as highly effective in offsetting changes in fair value or the cash flows attributable to a hedged risk within a range of 80–125 percent.

Fair Value Hedging

In accordance with the risk management principles, fair value hedging is used to hedge changes in fair values resulting from changes in price, interest rate or exchange rate levels. The hedging instruments used include foreign exchange forwards, interest rate swaps, interest rate and cross currency swaps and options, approved by the management.

Changes in the fair value of derivative instruments that are documented as fair value hedges and are effective in relation to the hedged risk are recognized in profit or loss. In addition, the hedged assets and liabilities are measured at fair value during the period for which the hedge was designated, with changes in fair value recognized in profit or loss.

Leases

Group as Lessee

Lease contracts are primarily recognized in the balance sheet in accordance with the IFRS 16 Leases standard. The only optional exemptions include certain short-term or low-value contracts for which the lease payments can be recognized as an expense on a straight-line basis over the lease term.

Right-of-use assets related to lease contracts (right to use an underlying asset) are recognized in the asset side as part of Property, Plant and Equipment, and the corresponding lease liabilities in the liability side as part of 'Other liabilities'. A right-of-use asset is recognized at the commencement date of the lease and measured at cost that includes the amount of the initial measurement of the liability and potential prepaid rents to the lessor. A lease liability is recognized at the commencement date and measured at the present value of the lease payments.

Depreciations on right-of-use assets and interests on the lease liabilities are recognized in the P&L.

Group as Lessor

Leases are included in 'Investment property' in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment, and the impairment losses are recognized on the same basis as for these items. Rental income is recognized on a straight-line basis over the lease term in profit or loss.

Intangible Assets

Other Intangible Assets

IT software and other intangible assets, whether procured externally or internally generated, are recognized in the balance sheet as intangible assets with finite useful lives, if it is probable that the expected future economic benefits that are attributable to the assets will flow to the Group and the cost of the assets can be measured reliably. The cost of internally generated intangible assets is determined as the sum of all costs directly attributable to the assets. Research costs are recognized as expenses in profit or loss as they are incurred. Costs arising from the development of new IT software or from significant improvement of existing software are recognized only to the extent they meet the above-mentioned requirements for being recognized as assets in the balance sheet.

Intangible assets with finite useful lives are measured at historical cost less accumulated amortization and impairment losses. Intangible assets are amortized on a straight-line basis over the estimated useful life of the asset. The estimated useful lives by asset class are as follows:

IT software	4–10 years
Other intangible assets	3–10 years

Property, Plant and Equipment

Property, plant, and equipment comprise properties occupied for Mandatum Life's own activities, office equipment, fixtures and fittings, and furniture. Classification of properties as those occupied for own activities and those for investment activities is based on the square meters in use. If the proportion of a property in Mandatum Life's use is no more than 10 percent, the property is classified as an investment property.

Property, plant, and equipment are measured at historical cost less accumulated depreciation and impairment losses.

Improvement costs are added to the carrying amount of a property when it is probable that the future economic benefits that are attributable to the asset will flow to the entity. Costs for repairs and maintenance are recognized as expenses in the period in which they were incurred.

Items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful life. In most cases, the residual value is estimated at zero. Land is not depreciated. Estimates of useful life are reviewed at financial year-ends, and the useful life is adjusted if the estimates change significantly. The estimated useful lives by asset class are as follows:

Residential, business premises and offices	20–60 years
Industrial buildings and warehouses	30–60 years
Components of buildings	10–15 years
IT equipment and motor vehicles	3–5 years
Other equipment	3–10 years

Depreciation of property, plant or equipment will be discontinued if the asset in question is classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations.*

Impairment of Intangible Assets and Property, Plant and Equipment

At each reporting date, the Group assesses whether there is any indication that an intangible asset or an item of property, plant or equipment may be impaired. If any such indication exists, the Group will estimate the recoverable amount of the asset. In addition, goodwill, intangible assets not yet available for use and intangible assets with an indefinite useful life are tested for impairment annually, independent of any indication of impairment. For impairment testing, the goodwill is allocated to the cash-generating units of the Group from the date of acquisition. In the test, the carrying amount of the cash-generating unit, including the goodwill, is compared with its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. The value in use is calculated by estimating future net cash flows expected to be derived from an asset or a cash-generating unit, and by discounting them to their present value using a pre-tax discount rate. If the carrying amount of an asset is higher than its recoverable amount, an impairment loss is recognized in profit or loss. In conjunction with this, the impaired asset's useful life will be re-determined.

If there is any indication that an impairment loss recognized for an asset in prior periods may no longer exist or may have decreased, the recoverable amount of the asset will be estimated. If the recoverable amount of the asset exceeds the carrying amount, the impairment loss is reversed, but no more than to the carrying amount which it would have been without recognition of the impairment loss. Impairment losses recognized for goodwill are not reversed.

Although no indication of impairment was identified in the Group for the intangible assets acquired, an impairment test was performed in accordance with the provisions of IAS 36 at the end of 2021. The acquired intangible asset is treated as a single cash-generating unit. The testing takes into account external and internal sources of information that may have affected the value of an asset. The test estimates the income after taxes for the first five years according to management's expectations. From the fifth year onwards, the income after taxes is expected to develop in accordance with the inflation assumption. The present value of income is calculated by applying a discount rate of 8.71 percent, which consists of the 10-year interest level of the Finnish government bond plus the risk premium. Both the expected earnings forecasts and the choice of the discount rate include some uncertainty. The present value of the earnings expectations clearly exceeds the value of the intangible assets, and thus there is no need for recognizing an impairment loss.

Investment Property

Investment property is held to earn rentals and for capital appreciation. The investment property is measured in the same way as property, plant, and equipment. The depreciation periods and methods and the impairment principles are also the same as those applied to corresponding property occupied for own activities.

The fair value of investment property is estimated using a method based on estimates of future cash flows and a comparison method based on information from actual sales in the market. The fair value of investment property is presented in the notes.

The valuation takes into account the characteristics of the property with respect to location, condition, lease situation and comparable market information regarding rents, yield requirements and unit prices. During the financial year, the valuations were conducted by the Group's internal resources.

Provisions

A provision is recognized when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the Group can reliably estimate the amount of the obligation. If it is expected that some or all of the expenditure required to settle the provision will be reimbursed by another party, the reimbursement will be treated as a separate asset only when it is virtually certain that the Group will receive it.

Insurance and Investment Contracts

Insurance contracts are treated, in accordance with IFRS 4, either as insurance or investment contracts. Under the standard, contracts are classified as insurance contracts if significant insurance risk is transferred between the policyholder and the insurer. If the risk transferred on the basis of the contract is essentially financial risk rather than significant insurance risk, the contract is classified as an investment contract. Classification of a contract as an insurance contract or investment contract determines the measurement principle applied to it.

Mandatum Life measures the liabilities arising from contracts according to national accounting standards as allowed in IFRS 4.

The risks involved in insurance and investment contracts are widely elaborated in the Risk Management section.

Reinsurance Contracts

A reinsurance contract is a contract which meets the IFRS 4 requirements for insurance contracts and on the basis of which Mandatum Life Group (the cedant) may receive compensation from another insurer (the reinsurer), if it becomes liable for paying compensation based on other insurance contracts it has issued. Such compensation received on the basis of reinsurance contracts is included in the balance sheet under 'Reinsurers' share of insurance liabilities' and 'Other assets'. The former item includes the reinsurers' share of the provisions for unearned premiums and claims outstanding in the Group's reinsured insurance contracts, while the latter includes short-term receivables from reinsurers.

When the Group itself must pay compensation to another insurer on the basis of a reinsurance contract, the liability is recognized in the item 'Other liabilities'.

Receivables and liabilities related to reinsurance are measured uniformly with the cedant's receivables and liabilities. Reinsurance receivables are tested annually for impairment. Impairment losses are recognized through profit or loss if there is objective evidence indicating that the Group (as the cedant) will not receive all amounts of money it is entitled to on a contractual basis.

Classification of Insurance Contracts

Policies issued are classified as either insurance contracts or investment contracts. Insurance contracts are contracts that carry significant insurance risk or contracts in which the policyholder has the right to change the contract by increasing the risk. As capital redemption contracts do not carry insurance risk, these contracts are classified as investment contracts.

The discretionary participation feature (DPF) of a contract is a contractual right held by a policyholder to receive additional benefits, as a supplement to the guaranteed minimum benefits. The supplements are bonuses based on the reserves of policies credited to the policy reserve, additional benefits in the case of death, or lowering of insurance premiums. In Mandatum Life, the principle of fairness specifies the application of this feature. In unit-linked contracts the policyholder carries the investment risk by choosing the investment funds linked to the contracts.

Measurement of Insurance and Investment Contracts

National accounting standards in accordance with IFRS 4 Insurance contracts are applied to all insurance contracts and investment contracts with a DPF.

All contracts, except unit-linked contracts and the assumed reinsurance, include a DPF. In those unit-linked contracts which are not insurance contracts, the policyholder has the possibility to transfer the return on savings from unit-linked schemes to guaranteed interest with a DPF. Thus, the same standard is applied to these contracts as to contracts with a DPF.

The surrender right, guaranteed interest and the unbundling of the insurance component from the saving component and similar features are not separated and measured separately.

Regarding the group pension portfolio transferred from Suomi Mutual (= segregated portfolio), so-called shadow accounting is applied, as permitted in IFRS 4.30, by adjusting the equity with the amount of unrealized gains and losses of the agreement. The equity is adjusted with an amount that unrealized gains or losses would have affected the segregated portfolio in accordance with the profit distribution policy of the segregated portfolio if the gains or losses had been realized at the balance sheet date.

Insurance and Investment Contract Liabilities and Reinsurance Assets

Insurance liabilities arising from insurance and investment contracts consist of provisions for unearned premiums and outstanding claims. In life insurance business, various methods are applied in calculating insurance liabilities which involve assumptions on matters such as mortality, morbidity, the yield level of investments, future operating expenses and the settlement of claims.

Changes in the liabilities of reinsurance have been calculated at variable rates of exchange.

In direct insurance, the insurance liability is calculated by policy, while in reinsurance it is calculated on the basis of the reports of the ceding company or the company's own bases of calculation.

The interest rate used in discounting liabilities is, at most, the maximum rate accepted by the authorities in each country. The guaranteed interest used in the direct insurance premium basis varies from zero to 4.5 percent depending on the starting date of the insurance. The interest rate used in discounting liabilities is the same or lower than that used in premium calculation. Most of Mandatum Group's liabilities of the accrued benefits of pension business with a DPF are discounted by an interest rate of 3.5 percent, which is also the highest discount rate used. In addition, Mandatum has lowered the maximum rate to 0.25 percent for the years 2022–2025 and to 0.75 percent for 2026. The liabilities of the accrued benefits of the group pension insurance portfolio transferred from Suomi Mutual to Mandatum Life on 30 December 2014 and segregated from Mandatum Life's insurance portfolio are discounted by 0.0 percent.

Due to the difference in the discount rate of liabilities and the guaranteed interest of 4.5 percent and 3.5 percent, supplementary provisions for guaranteed interest have been added to technical provisions.

Mortality assumptions have an essential effect on the amount of liability, particularly in group pension insurance, the liability of which accounts for about 28 percent of the technical provisions of the company. A so-called cohort mortality model is used in calculating the group pension insurance liability, incorporating the insured person's birth year in addition to his or her age and sex. The cohort mortality model assumes that life expectancy increases by one year over a ten-year period.

For unit-linked contracts, all the liabilities and the assets covering the unit-linked insurance are matched. Both the liabilities and the assets have been presented in the notes to the accounts. In calculating the provision for claims outstanding of direct insurance, discounting is applied only in connection with the liabilities of pensions whose payment has commenced. The liabilities of assumed reinsurance are based on the reports of the ceding company and on an estimate of claims which have not yet been settled. The assets covering the unit-linked liabilities include debt securities issued by the Group companies. These have not been eliminated. Elimination would lead to misleading information, as the policyholders carry the investment risk related to these investments, and to a mismatch between the unit-linked liabilities and assets covering them.

The provision for claims outstanding is intended to cover the anticipated future payments of all claims incurred. The provision for claims outstanding includes claim payments plus all costs of claim settlements.

The amounts of short- and long-term liabilities in technical provisions are determined annually.

The Risk Management section elaborates on the change of technical provisions and their forecast annual maturities.

Liability Adequacy Test

A liability adequacy test is applied to all portfolios and the need for additional reserves is monitored, on the basis of the adequacy of the total technical provisions. The test includes all the expected contractual cash flows for non-unit-linked liabilities. The expected contractual cash flows include expected premiums, claims, bonuses, and expenses. The claims have been estimated including surrenders and other insurance transactions based on historical data. The amounts of claims include the guaranteed interest and an estimation of future bonuses. The present values of the cash flows have been discounted to the balance sheet date using a swap rate curve.

For the unit-linked business, the present values of the insurance risk and expense results are calculated correspondingly. If the aggregate amount of the liability for the unit-linked and other business is not adequate, the liability is increased by the amount shown by the test and recognized in profit or loss.

Principle of Fairness and Profit Distribution Policy for the Segregated Group Pension Insurance Portfolio

According to Chapter 13, Section 2 of the Finnish Insurance Companies' Act, the Principle of Fairness must be observed in life insurance and investment contracts with a discretionary participation feature. If the solvency requirements do not prevent it, a reasonable part of the surplus must be returned to these policies as bonuses.

Mandatum Group aims at giving a total return before charges and taxes on policyholders' savings in contracts with a DPF that is at least the yield of those long-term bonds that are considered to have lowest risk. Currently, we consider German government bonds to be the most risk-free, long-term bonds available. For the time being, however, the targeted level of total return corresponds to the yield of 5-year Finnish government bonds in the case of endowment policies and to the yield of 10-year Finnish government bonds in the case of pension insurance policies. The total return consists of the guaranteed interest rate and bonuses that are determined annually. Continuity is pursued in the level of bonuses. The aim is to maintain the company's solvency position at such a level that it limits neither the giving of bonuses to policyholders nor the distribution of profit to shareholders. The principle is explained in detail on the company's website.

On 30 December 2014, Mandatum Life took over control of Suomi Mutual's group pension insurance portfolio (Insurance Portfolio), which has been segregated from Mandatum Life's other insurance portfolio. In connection with the transfer, it was agreed that the assets transferred along with the Insurance Portfolio will be used to secure the benefits under the transferred Insurance Portfolio. To that end, and in order to ensure what has been agreed on, the Insurance Portfolio and the assets covering it have been segregated from Mandatum Life's other insurance portfolio and assets. It has furthermore been agreed that a profit distribution policy that is independent from Mandatum Life's other insurance portfolio shall be applied, as described further below, to the Insurance Portfolio and the assets covering it.

In IFRS accounting, when the realized investment return exceeds the return requirement based on the discount rate for the Insurance Portfolio's insurance liabilities, 65 percent of the surplus amount is distributed to the Insurance Portfolio. The discount rate for insurance liability that is applied in the profit distribution policy is always based on the discount rate for insurance liability used on the first day of the calendar year. The Insurance Portfolio's share of the investment returns that exceed the discount rate can be distributed, for example, in the form of annual client bonuses, one-time benefit increases, or it can be set aside in a reserve for future bonuses, which is used to equalize the annual client bonuses and safeguard the level of client bonuses and their continuity.

In IFRS accounting, when the realized investment return is less than the return requirement based on the discount rate for the Insurance Portfolio's insurance liabilities, the return requirement is financed primarily from the Insurance

Portfolio's provision for future bonuses and thereafter from Mandatum Life's capital and reserves. The share of the provision for future bonuses that has been set aside, by a separate decision by Mandatum Life, for the Insurance Portfolio shall not be used to finance the above-mentioned return requirement.

The discount rate to be applied in the profit distribution policy of the Insurance Portfolio is 0.0 percent for 2021. The company's website provides a more detailed description of the profit distribution policy for the segregated group pension portfolio, as well as an explanation of the bonuses paid.

The legislation of Estonia, Latvia and Lithuania respectively does not contain requirements corresponding to the Principle of Fairness.

Employee Benefits

Post-Employment Benefits

Post-employment benefits include pensions and life insurance.

Mandatum Group has defined contribution plans. The most significant defined contribution plan is that arranged through the Employees' Pensions Act (TyEL) in Finland.

In defined contribution plans, the Group pays fixed contributions to a pension insurance company and has no legal or constructive obligation to pay further contributions. The obligations arising from a defined contribution plan are recognized as an expense in the period that the obligation relates to.

The Group also has certain voluntary defined benefit plans. These are intra-Group, included in the insurance liabilities of Mandatum Life and have no material significance.

Termination Benefits

An obligation based on termination of employment is recognized as a liability when the Group is verifiably committed to terminate the employment of one or more persons before the normal retirement date or to grant benefits payable upon termination as a result of an offer to promote voluntary redundancy. As no economic benefit is expected to flow to the employer from these benefits in the future, they are recognized immediately as an expense. Obligations maturing more than 12 months later than the balance sheet date are discounted. The benefits payable upon termination are the monetary and pension packages related to redundancy.

Share-Based Payments

During the financial year, Sampo Group had four valid share-based incentive schemes settled in cash (Sampo Group's incentive schemes for key persons 2017:1, 2017:1/2, 2020:1 and 2020:1/2). In Mandatum Group, around 30 persons were included in the schemes in 2021.

The schemes have been measured at fair value at the grant date and at every reporting date thereafter.

In the schemes settled in cash, the valuation is recognized as a liability and changes recognized through profit or loss.

In the schemes settled in shares, the strike amounts received on the exercise of the options are recognized in shareholder's equity.

The fair value of the schemes has been determined using the Black–Scholes pricing model. The fair value of the market-based part of the incentive takes into consideration the model's forecast concerning the number of incentive units to be paid as a reward. The effects of non-market-based terms are not included in the fair value of the incentive; instead, they are taken into account in the number of those incentive units that are expected to be exercised during the vesting period. In this respect, the Group will update the assumption on the estimated final number of incentive units at every interim or annual balance sheet date.

Income Taxes

The item 'Tax expenses' in the income statement comprises current and deferred tax. Tax expenses are recognized through profit or loss, except for items recognized directly in equity or other comprehensive income, in which case the tax effect will also be recognized in those items. Current tax is calculated based on the valid tax rate of each country. Tax is adjusted by any tax related to previous periods.

Deferred tax is calculated on all temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base. Deferred tax is not recognized on non-deductible goodwill impairment, nor is it recognized on the undistributed profits of subsidiaries to the extent that it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated by using the enacted tax rates prior to the balance sheet date. A deferred tax asset is recognized to the extent that it is probable that future taxable income will be available against which a temporary difference can be utilized.

Equity

Dividends are recognized in equity in the period when they are approved by the Annual General Meeting.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash and short-term deposits (3 months).

Mandatum Holding presents cash flows from operating activities using the indirect method in which the profit (loss) before taxation is adjusted for the effects of transactions of a non-cash nature, deferrals and accruals, and income and expense associated with investing or financing cash flows.

In the cash flow statement, interest received and paid is presented in cash flows from operating activities. In addition, the dividends received are included in cash flows from operating activities. Dividends paid are presented in cash flows from financing.

Accounting Policies Requiring Management Judgement and Key Sources of Estimation Uncertainties

Preparation of the accounts in accordance with IFRS requires management estimates and assumptions that affect the revenue, expenses, assets, liabilities, and contingent liabilities presented in the financial statements. Judgement is needed also in the application of accounting policies. The estimates made are based on the best information available at the balance sheet date. The estimation is based on historical experiences and most probable assumptions concerning the future at the balance sheet date. The actual outcome may deviate from results based on estimates and assumptions. Any changes in the estimates will be recognized in the financial year during which the estimate is reviewed and in all subsequent periods.

Mandatum Group's main assumptions concerning the future and the key uncertainties related to balance sheet estimates are related, for example, to assumptions used in actuarial calculations, determination of fair values of non-quoted financial assets and liabilities and investment property, and determination of the impairment of financial assets and intangible assets. Accounting policies concerning these areas require most significant use of estimates and assumptions.

Actuarial Assumptions

The actuarial assumptions applied to life insurance liabilities are discussed in more detail under 'Insurance and investment contract liabilities and reinsurance assets'.

Determination of Fair Value

The fair value of any non-quoted financial assets is determined using valuation methods that are generally accepted in the market. These methods are discussed in more detail above under 'Fair value'.

Fair values of investment property have been determined internally during the financial year on the basis of comparative information derived from the market. They include management assumptions concerning market return requirements and the discount rate applied.

Impairment Tests

Goodwill, intangible assets not yet available for use, and intangible assets with an indefinite useful life are tested for impairment at least annually. The recoverable amounts from cash-generating units have mainly been determined using calculations based on value in use. These require management estimates on matters such as future cash flows, the discount rate, and general economic growth and inflation.

Application of New orRevised IFRS Standards and Interpretations

The Group will apply the following new or amended standards and interpretations related to the Group's business in later financial years when they become effective, or if the effective date is other than the beginning of the financial year, during the financial year following the effective date.

The amendments to IFRS 9 *Financial Instruments* (effective for annual periods beginning on or after 1 January 2018) supersede IAS 39 *Financial Instruments: Recognition and Measurement.* The new standard changes the classification and measurement of financial assets and includes a new impairment model based on expected credit losses. The hedge accounting will continue to have three different hedging relationships.

As the upcoming IFRS 4 superseding standard IFRS 17 *Insurance Contracts* (by IASB tentative decision effective for annual periods beginning on or after 1 January 2023) will have an impact on the insurance liabilities valuation, the insurance companies have been given additional options regarding the adoption of IFRS 9. If certain preconditions regarding the insurance liabilities are met, the company may apply the so-called temporary exception option and defer the adoption of the IFRS 9 standard until the adoption of the IFRS 17 standard, at the latest on the annual period beginning on 1 January 2023. The temporary exemption may be applied if the Group's amount of insurance liabilities is greater than 90 percent of the total amount of liabilities. The application is also possible if the ratio is greater than 80 percent and the Group does not engage in a significant activity unconnected with insurance. Another allowed option was to apply IFRS 9 from 1 January 2018 on, but to remove some of the accounting mismatches caused by the different valuation methods of assets and liabilities from the income statement and transfer them to other comprehensive income. The Group has analyzed the preconditions for applying the temporary exemption and stated that they are met. Therefore, the Group will apply the exemption and apply the IFRS 9 standard at the same time with the upcoming IFRS 17 standard. The Group has started analyzing the effects of applications in all the other areas as well, as the new standards will have a significant impact on the Group's financial statements.

Risk Disclosure

1. Risk Management Principles

Mandatum Group (Mandatum) companies operate in business areas in which the characteristics of value creation are risk pricing and active management of risk portfolios, in addition to good customer service.

To create value for all stakeholders in the long run, Mandatum Group companies must have the following forms of capital in place:

- Financial flexibility in the form of adequate capital and liquidity.
- Good technological infrastructure.
- Intellectual capital in the form of comprehensive proprietary actuarial data and analytical tools to convert this data into information.
- Human capital in the form of skillful and motivated employees.
- Social and relationship capital in the form of good relationships with society and clients to understand the changing needs of different stakeholders.

At the company level, these resources are continuously developed. They are in use when the following core activities related to risk pricing, risk taking, and active management of risk portfolios are conducted.

Appropriate selection and pricing of underwriting risks

- Underwriting risks are carefully selected and are priced to reflect their inherent risk levels.
- Insurance products are developed proactively to meet clients' changing needs and preferences.

Careful selection and execution of investment transactions

- Risk return ratios and sustainability issues of separate investments opportunities are carefully analyzed.
- Transactions are executed effectively.

Effective management of investment portfolios and the balance sheet

- Balance between expected returns and risks in investment portfolios and the balance sheet is optimized, considering the features of insurance liabilities, internally assessed capital needs, regulatory solvency rules and rating requirements.
- Liquidity risks are managed by having an adequate portion of investments in liquid instruments. The portion is mainly dependent on the features of the liabilities.

Effective mitigation of consequential risks

- Counterparty default risks are mitigated by carefully selecting counterparties, applying collateral agreements, and assuring adequate diversification.
- High quality and cost-efficient business processes are maintained.
- Continuity and recovery plans are continuously developed to secure business continuity.

At the Group level, the risk management's focus is on the Group-wide capitalization and liquidity. It is also essential to identify potential risk concentrations and to have a thorough understanding of how reported profits of companies would develop under different scenarios. These concentrations and correlations may have an effect on the Group level capitalization and liquidity buffers as well as on the Group level management actions.

When the above-mentioned core activities are successfully implemented, a balance between profits, risks and capitalization can be achieved both at company and the Group level and shareholder value can be created.

In Mandatum Group, Mandatum Life's existing with-profit technical provisions and the assets covering them are the most capital-intensive business area, and this business forms most of Mandatum Group's solvency capital requirement. Therefore, the following risk descriptions focus mainly on Mandatum Life's risk exposures.

2. Risks Related to Mandatum Life's Business Activities

In addition to market risks, Mandatum Life's main risks from the perspective of solvency capital requirements are longevity risk and surrender risk, which are part of underwriting risk. In addition, operational and business risks are inherent in terms of the company's operations and continuity.

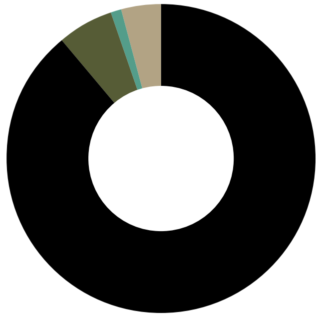
Life insurance business carries and manages risks originating from insurance events and liabilities. There are random fluctuations in the frequency and size of insurance events. The majority of with-profit life insurance business risks and result arise from investment activities. The return on assets should cover, in the long term, at least the guaranteed interest rate, bonuses based on the principle of fairness and the shareholders' return expectations. Other profit elements are generated from carrying insurance risk and expense risk. The insurance risk result is the assumed claims in premium calculations less the actual claims. The expense result is the expense charges from policies less the actual expenses.

Figure 2–1 Allocation of Investments, Mandatum Life, 31 December 2021 (comparison figures in parentheses)*

Original portfolio EUR 4,432 million (4,603)

Fixed income	57% (58%)
Listed equity	27% (28%)
Private equity	6% (5%)
Real estate	4% (3%)
Alternative	6% (5%)

Segregated portfolio EUR 801 million (930)



Fixed income	88% (89%)
Listed equity	6% (6%)
Private equity	1% (1%)
Real estate	4% (4%)
Alternative	0% (0%)

*The amounts of the assets presented in figure 2–1 deviate from the IFRS balance sheet breakdown. Investments at Mandatum Life's own risk at fair value are included in figure 2–1, and the asset values include, for example, accrued interest (the so-called dirty value). In figure 2–1 classification of assets is based on the model applied to the company's investment steering and, for example, fixed income funds are presented as part of fixed income investments when they are under shares and participations in the IFRS balance sheet. Internal loans are also eliminated in the Group's balance sheet, having only a minor impact, however. The investment assets presented above include only the share of cash managed by the investment organization. In Group companies other than Mandatum Life, the total amount of financial assets is approximately EUR 2.0 million. The total allocation of the original portfolio and the segregated assets is equal to EUR 5,233.5 million. When EUR 15.4 million of intra-group assets, EUR 21.4 million of accrued interest and EUR 707.6 million of cash are deducted, EUR 3.7 million of derivatives are added and it is taken into account that real estate investments are at market value in the allocation, the total is equal to 4,440.7 which corresponds to the sum of financial assets and assets available for sale assets on the Group balance sheet's Life and other policies segment.

2.1 Market Risks and Their Risk Management

Market risks refer to impacts on Mandatum Life's result or solvency caused by changes in the market values of financial assets and liabilities and technical provisions. Market risks are examined from both an Asset Liability Management (ALM) as well as an investment portfolio risk perspective. Mandatum Life's market risks arise mainly from investments in equities and interest rate risk arising from fixed income assets and with-profit liabilities.

The approach to market risk management is based on the technical provisions' expected cash flows, the interest level, and the valid solvency position. A common feature for all elements of with-profit liabilities is the guaranteed rate and bonuses. The cash flows of the Mandatum Life's liabilities are relatively well predictable because in most with-profit policies, surrenders and extra investments are not possible.

Mandatum Life's Board of Directors annually approves the Investment Policy for both segregated assets (see footnote 1) and other assets regarding the company's investment risks. The policy lays down the principles and limits of investment operations. The Risk Management Policy decided on by the Board of Directors sets the risk-bearing-capacity model that is essential for balance sheet management and the monitoring limits to be applied.

Mandatum Life has outsourced the management of its investment operations to Mandatum Asset Management Limited (MAM), which makes the company's daily investment decisions based on the principles and authorizations laid down in the Investment Policy. However, all major investment decisions – large allocation changes and decisions related to investments that exceed the investment unit's authorizations – are made by the Board of Directors. The Asset Liability Committees (ALCOs) regularly monitor compliance with the principles and limits specified in the Investment Policy and report on investment risks to the Board of Directors. The ALCOs also monitor the company's technical provisions and the riskiness of the assets covering the technical provisions of the segregated group pension portfolio in relation to risk-bearing capacity. The ALCOs report to the Board of Directors if the monitoring limits are not met.

[1] Mandatum Life received Suomi Mutual's with-profit group pension portfolio in 2014. Due to its special characteristics, the portfolio and related assets have been segregated (segregated group pension portfolio or segregated assets) from the rest of the company's balance sheet. The segregated portfolio has its own profit-sharing principles, as well as its own investment limits and ALCO. The with-profit liabilities that are not part of the liabilities related to the segregated group pension portfolio are referred to as the 'original with-profit liabilities' in this risk management disclosure.

In 2021, the net investment return of Mandatum Life's original portfolio was 10.2 percent (6.5). The total return on the segregated group pension portfolio was 2.9 percent (1.5). Figure 2–1 shows the total investments for original and segregated portfolios separately on 31 December 2021 and 31 December 2020.

2.1.1 Equity Risks

Equity price risk is the risk of losses due to changes in share prices. At year-end, the company's listed equity investments for the original portfolio amounted to EUR 1,181.7 million (1,277.2). Listed equity investments for the segregated portfolio amounted to EUR 51.4 million (58.2).

The equity portfolio is actively managed. The positions and risks in the equity portfolio and the related derivatives may not exceed the limits set in the Investment Policy. The developed market equity portfolio is managed mainly by MAM, while the emerging market equity investments are mainly managed through external asset managers. Figure 2–2 presents the geographical allocation of listed equity investments for both portfolios.

Section 2.2 contains a list of the ten largest equity investments, and a breakdown of direct listed equity investments by industry is shown in section 2.3.

2.1.2 Risks Related to Fixed Income Investments

Mandatum Life's risks related to fixed income investments include interest rate risk related to changes in market interest rates and spread risk arising from changes in the credit spreads of fixed income investments.

Mandatum Life's most significant interest rate risk is that fixed income investments will not, over a long period of time, generate a return at least equal to the guaranteed interest rate of with-profit liabilities. The probability of this risk increases when market interest rates fall and remain at a low level. According to the company's Investment Policy, the interest rate risk and inflation risk of technical provisions must be taken into account when defining the composition of investment assets. The company's duration gap between technical provisions and fixed income investments is constantly monitored and managed. Control levels based on internal capital models are used to manage and ensure adequate capital in different market situations.

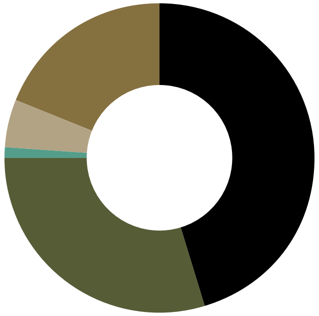
The average duration of the company's original portfolio's liabilities (excluding unit-linked liabilities) was around eleven years at year-end and for the segregated portfolio around eleven years.

The duration of the fixed income investments covering the original with-profit technical provisions as per 31 December 2021 was 2.0 years (2.7) and the duration of the segregated assets was 2.5 years (3.1).

When it comes to with-profit liabilities, Mandatum Life has prepared for low interest rates by, for example, reducing the guaranteed interest rate in new contracts and supplementing the reserve for decreased discount rates. In addition, existing contracts have been changed to accommodate improved management of reinvestment risk, and the liabilities have been supplemented

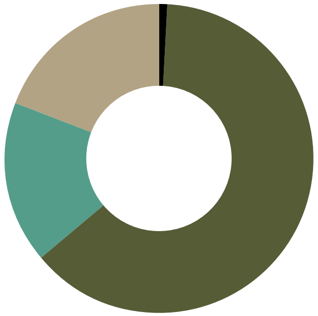
Figure 2–2 Geographical allocation of listed equity investments, Mandatum Life, 31 December 2021 (figures of the comparison year in parentheses)

Original portfolio EUR 1,182 million (1,277)



Scandinavia	0% (0%)
Finland	46% (40%)
Western Europe	30% (26%)
Eastern Europe	1% (1%)
North America	5% (13%)
Latin America	0% (0%)
Far East	19% (19%)
Japan	0% (0%)

Segregated portfolio EUR 51 million (58)



Scandinavia	1% (1%)
Finland	0% (0%)
Western Europe	63% (50%)
Eastern Europe	17% (13%)
North America	19% (34%)
Latin America	0% (0%)
Far East	0% (2%)
Japan	0% (0%)

by the reserve for decreased discount rates. More information about the reserve can be found in Section 2.5.2.

The majority of the company's fixed income investments are made in debt instruments issued by corporations. This increases the risk arising from increased credit spreads, that is the spread risk, which, in turn, leads to value alterations.

Table 2–3 illustrates the breakdown of the fixed income investments by type of instrument as well as their average maturity. The maturity measures the company's spread risk exposure better than the duration. This is true especially when it comes to floating interest rate investments. Table 2–8 shows the breakdown of investment assets by asset class, based on sector and credit rating.

At the end of 2021, the share of money market investments in the original portfolio's fixed income portfolio rose to 19.7 percent (16.0), and the share of investment-grade fixed income investments fell to 29.0 percent (32.5). Also, the share of high-yield fixed income investments fell to 40.6 percent (41.0). The share of money market investments in the segregated portfolio's fixed income portfolio rose to 12.4 percent (10.0). The share of investment grade fixed income investments fell to 45.7 percent (51.7). The share of high-yield fixed income investments in the segregated portfolio rose to 30.6 percent (25.6).

2.1.3 Currency Risks

The with-profit technical provisions on direct insurance arising from Mandatum Life's insurance policies consist entirely of euro-denominated commitments. Currency risk from reinsurance is low.

In practice, the company is exposed to currency risk when investing outside the euro zone. Open currency positions are managed within the limits imposed by the Investment Policy. Table 2–4 shows the net currency exposures (net assets) for original and segregated portfolios on 31 December 2021 and 31 December 2020.

2.1.4 Other Market Risks

In addition to interest rate, equity and currency risks, the company's investment assets are also subject to risks resulting from real estate, private equity fund and other alternative investments. The company's Investment Policy sets limits for the maximum allocations to these markets and products. On 31 December 2021, the share of the above-mentioned investments of the original portfolio was 16.4 percent (14.0) and of the segregated portfolio 5.2 percent (4.6) of the total investment portfolio.

Private equity funds and alternative investments are managed by external asset managers. The private equity fund portfolio is diversified according to both fund style and geographical area. Alternative investments are placed both directly into individual funds and into funds of funds in order to attain sufficient diversification between funds and investment styles.

The company's real estate portfolio is managed by MAM's real estate management unit. The portfolio includes direct and indirect investments, such as real estate funds and shares in real estate companies in accordance with the decided allocation. The main risks related to property investments are limited by diversifying holdings both geographically and by type of property.

Table 2–3 Fixed income investments by type of instrument, Mandatum Life, 31 December 2021 and 31 December 2020

	31 December 2021		31 December 2020	
Original assets	% Of fixed income portfolio	Average maturity	% Of fixed income portfolio	Average maturity
Money market securities and cash	19.7%	0.0	16.0%	0.0
Government bonds	0.0%	0.0	0.0%	0.0
Covered bonds	0.0%	0.0	0.0%	0.0
Investment grade bonds and loans	29.0%	2.9	32.5%	3.6
High yield bonds and loans	40.6%	3.2	41.0%	3.2
Asset backed securities	0.0%	0.0	0.0%	0.0
Subordinated / T2 -type	4.5%	2.9	4.1%	3.9
Subordinated / T1 -type	6.2%	4.1	6.3%	4.7
Interest rate derivatives	0.0%	-	0.0%	-
Total	**100.0%**	**2.5**	**100.0%**	**2.9**

	31 December 2021		31 December 2020	
Segregated assets	% Of fixed income portfolio	Average maturity	% Of fixed income portfolio	Average maturity
Money market securities and cash	12.4%	0.0	10.0%	0.0
Government bonds	0.0%	0.0	0.0%	0.0
Covered bonds	0.0%	0.0	1.4%	4.0
Investment grade bonds and loans	45.7%	3.3	51.7%	3.7
High yield bonds and loans	30.6%	3.8	25.6%	3.6
Asset backed securities	0.0%	0.0	0.0%	0.0
Subordinated / T2 -type	5.0%	3.1	4.2%	4.0
Subordinated / T1 -type	6.3%	4.3	7.1%	6.8
Interest rate derivatives	0.0%	-	0.0%	-
Total	**100.0%**	**3.1**	**100.0%**	**3.6**

2.2 Concentration Risk of Investment Operations

The company's Investment Policy sets limits for investments in individual companies. When setting the limits, the primary aspects to be taken into account are the company's estimate of the investment's credit risk and the corresponding amount of tied-up capital. The public information available on the investment object, such as credit ratings, also affect the maximum amount of the investment limit. Risk concentrations are monitored continuously. Table 2–5 shows market and credit risk concentrations in individual counterparties by asset class.

Table 2–6 illustrates the ten largest equity investments separately and their proportion of the total direct equity investments. In addition to Finnish direct equity investments, the company invests in foreign equities through investment funds and ETFs, and as direct equity investments. Furthermore, the largest exposures of high-yield and non-rated bonds are broken down in Table 2–7.

2.3 Credit Risks

Credit risk is the risk of loss or of an adverse change in the financial situation, resulting from fluctuations in the credit standing of issuers of securities, derivative counterparties, or other debtors. Credit risks arise from investments as well as insurance and reinsurance contracts.

In the company, credit risks can materialize as market value losses when credit spreads change unfavorably (spread risk) or as credit losses when issuers of credit instruments or counterparties of financial derivatives or reinsurance transactions

Table 2–4 Net currency exposure, Mandatum Life, 31 December 2021 and 31 December 2020

Transaction risk position, original assets, 31 December 2021 and 31 December 2020

Base currency, EUR million	USD	JPY	GBP	SEK	NOK	CHF	DKK	Other	Net total
Technical provisions	0.0	0.0	0.0	-0.9	0.0	0.0	0.0	0.0	-0.9
Investments	502.0	0.0	127.0	60.4	10.1	48.5	24.8	213.9	986.8
Derivatives	-483.0	0.0	-124.0	-57.6	-9.0	-42.6	-24.1	-122.4	-862.6
Total transaction risk, net position	**19.1**	**0.0**	**2.9**	**1.9**	**1.1**	**5.9**	**0.7**	**91.5**	**123.2**

Base currency, EUR million	USD	JPY	GBP	SEK	NOK	CHF	DKK	Other	Net total
Technical provisions	0.0	0.0	0.0	-1.2	0.0	0.0	0.0	0.0	-1.2
Investments	580.4	1.7	98.1	62.6	41.2	54.6	18.3	224.9	1,081.9
Derivatives	-587.9	-4.0	-95.7	-57.0	-40.1	-51.8	-20.0	-118.2	-974.6
Transaction risk, net position	**-7.5**	**-2.3**	**2.4**	**4.4**	**1.1**	**2.8**	**-1.7**	**106.8**	**106.1**

Transaction risk position, segregated assets, 31 December 2021 and 31 December 2020

Base currency, EUR million	USD	JPY	GBP	SEK	NOK	CHF	DKK	Other	Net total
Technical provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Investments	36.3	0.0	18.4	0.0	0.4	6.6	1.4	0.3	63.5
Derivatives	-34.9	0.0	-17.8	0.0	0.0	-5.8	-1.3	0.0	-59.8
Total transaction risk, net position	**1.4**	**0.0**	**0.6**	**0.0**	**0.4**	**0.8**	**0.0**	**0.3**	**3.6**

Base currency, EUR million	USD	JPY	GBP	SEK	NOK	CHF	DKK	Other	Net total
Technical provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Investments	36.8	0.0	13.3	0.0	6.3	6.3	0.0	1.4	64.0
Derivatives	-36.4	0.0	-13.1	0.0	-6.0	-4.6	0.0	0.0	-60.2
Total transaction risk, net position	**0.4**	**0.0**	**0.2**	**0.0**	**0.3**	**1.7**	**0.0**	**1.4**	**3.9**

Table 2–5 Concentration of market and credit risks in individual counterparties by asset class, Mandatum Life, 31 December 2021 and 31 December 2020

Issuer, EUR million	Total market value	% of total investment assets	Cash & short-term fixed income	Long-term fixed income, total	Long-term fixed income: Government guaranteed	Long-term fixed income: Covered bonds	Long-term fixed income: Senior bonds	Long-term fixed income: Tier 1 and Tier 2	Equities	Uncollateralized part of derivatives
BNP Paribas	208.4	0.0	181.5	26.9	0.0	0.0	26.9	0.0	0.0	0.0
Nordea Bank	204.0	0.0	180.1	23.8	0.0	0.0	5.1	18.7	0.0	0.0
Skandinaviska Enskilda Banken	151.0	0.0	147.2	3.7	0.0	0.0	0.0	3.7	0.0	0.0
Danske Bank	94.9	0.0	76.6	18.3	0.0	0.0	11.1	7.2	0.0	0.0
Vattenfall	81.6	0.0	0.0	81.6	0.0	0.0	0.0	81.6	0.0	0.0
Vaisala	78.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	78.1	0.0
Fortum	51.1	0.0	0.0	27.4	0.0	0.0	27.4	0.0	23.8	0.0
OP Pohjola	48.8	0.0	0.0	48.8	0.0	0.0	37.0	11.8	0.0	0.0
Trevian Finland Properties I	46.1	0.0	0.0	46.1	0.0	0.0	46.1	0.0	0.0	0.0
UPM-Kymmene	43.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	43.9	0.0
Total top 10 exposures	**1,007.8**	**0.2**	**585.5**	**276.7**	**0.0**	**0.0**	**153.6**	**123.1**	**145.7**	**0.0**
Other	4,225.6	0.8								
Total investment assets	5,233.5	1.0								

Concentration of market and credit risks in individual counterparties by asset class, 31 December 2020

Issuer, EUR million	Total market value	% of total investment assets	Cash & short-term fixed income	Long-term fixed income, total	Long-term fixed income: Government guaranteed	Long-term fixed income: Covered bonds	Long-term fixed income: Senior bonds	Long-term fixed income: Tier 1 and Tier 2	Equities	Uncollateralized part of derivatives
BNP Paribas	185.3	0.0	157.7	27.6	0.0	0.0	27.6	0.0	0.0	0.0
Nordea Bank	156.4	0.0	125.9	30.4	0.0	0.0	5.2	25.3	0.0	0.0
Danske Bank	130.7	0.0	111.6	18.3	0.0	0.0	11.1	7.2	0.0	0.8
Skandinaviska Enskilda Banken	120.6	0.0	117.1	3.4	0.0	0.0	0.0	3.4	0.0	0.0
Vattenfall	82.4	0.0	0.0	82.4	0.0	0.0	0.0	82.4	0.0	0.0
Vaisala	59.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	59.1	0.0
OP Pohjola	56.8	0.0	0.0	56.8	0.0	0.0	39.4	17.4	0.0	0.0
Evergood 4 ApS	52.7	0.0	0.0	52.7	0.0	0.0	52.7	0.0	0.0	0.0
TDC	51.3	0.0	0.0	51.3	0.0	0.0	51.3	0.0	0.0	0.0
Lassila & Tikanoja	47.8	0.0	0.0	3.1	0.0	0.0	3.1	0.0	44.8	0.0
Total top 10 exposures	**943.2**	**0.2**	**512.4**	**326.1**	**0.0**	**0.0**	**190.3**	**135.7**	**103.9**	**0.8**
Other	4 591.1	0.8								
Total investment assets	5 534.4	1.0								

Table 2–6 Ten largest direct listed equity investments, Mandatum Life, 31 December 2021 and 31 December 2020

The 10 largest listed equity investments	Total, EUR million	% of total direct listed equity investments
Vaisala	78.1	9.9%
UPM-Kymmene	43.9	5.5%
Lassila & Tikanoja	40.0	5.0%
Terveystalo	37.0	4.7%
F-Secure	33.7	4.3%
Caverion	33.2	4.2%
Musti Group	32.5	4.1%
Uponor	30.9	3.9%
Metso Outotec	29.0	3.7%
Nanoform Finland	26.9	3.4%
Total top 10 exposures	**385.1**	**48.6%**
Other direct listed equity investments	407.3	51.4%
Total direct listed equity investments	**792.4**	**100.0%**

Ten largest listed equity investments	Total market value, EUR million	% of total direct listed equity investments
Vaisala	59.1	6.6%
Lassila & Tikanoja	44.8	5.0%
Tikkurila	44.1	5.0%
UPM-Kymmene	40.0	4.5%
Nanoform Finland	33.3	3.7%
Musti Group	31.4	3.5%
Terveystalo	31.3	3.5%
Uponor	30.6	3.4%
Caverion	30.2	3.4%
F-Secure	26.0	2.9%
Total top 10 exposures	**370.9**	**41.6%**
Other direct listed equity investments	520.5	58.4%
Total direct listed equity investments	**891.4**	**100.0%**

Table 2–7 Ten largest high-yield and non-rated fixed income investments, Mandatum Life, 31 December 2021 and 31 December 2020

Ten largest high yield and not rated fixed income instruments	Rating	Total market value, EUR million	% of total direct fixed income investments
Trevian Finland Properties I	NR	46.1	1.5%
TDC	B	43.2	1.4%
Pohjolan Voima	NR	37.4	1.2%
Sponda	NR	35.0	1.1%
Teollisuuden Voima	BB	28.4	0.9%
EQ FIN Real Estate	NR	26.0	0.8%
Granite DEBTCO 9 LTD	NR	25.8	0.8%
Huhtamäki	NR	23.0	0.7%
EG Group	B-	18.9	0.6%
Intrum	BB	18.3	0.6%
Total top 10 exposures		**302.2**	**9.8%**
Other direct fixed income investments		2,789.1	90%
Total direct fixed income investments		**3,091.2**	**100%**

Ten largest high yield and not rated fixed income instruments	Rating	Total market value, EUR million	% of total direct fixed income investments
Evergood 4 ApS	B+	52.7	1.6%
TDC	B	51.3	1.5%
Trevian Finland Properties I	NR	46.9	1.4%
Sponda	NR	44.6	1.3%
Pohjolan Voima	NR	36.7	1.1%
Teollisuuden Voima	BB	27.2	0.8%
Special Investment Fund eQ Finnish Real Estate	NR	25.3	0.8%
Huhtamäki	NR	23.0	0.7%
YIT	NR	20.5	0.6%
European Directories BondCo	NR	20.5	0.6%
Total top 10 exposures		**348.6**	**10.5%**
Other direct fixed income investments		2,974.6	90%
Total direct fixed income investments		**3,323.2**	**100%**

fail to meet their financial obligations (default risk). The role of credit risk with the current asset allocation is remarkable from both the risk exposure and risk management perspectives.

In addition to the credit risks associated with investment assets, credit risks arise from reinsurance contracts. Credit risks related to reinsurers arise through reinsurance receivables and through the reinsurers' portion of the liabilities. In the company, credit risks related to reinsurance are relatively low compared to the credit risks associated with investment assets.

Investments in fixed income instruments in the financial sector comprise the largest industry concentration inside the company's investment portfolio.

2.3.1 Credit risk management

The selection of direct debt investments is based primarily on 'bond picking' and secondarily on top-down allocation. This investment style may lead to a situation where the portfolio is not as diversified as the finance theory suggests but includes thoroughly analyzed investments with a focus on risk-return ratios. Critical success factors for making fixed income investments are considered to be the following:

1. Potential investments must be understood thoroughly. Hence, the creditworthiness of the issuer or counterparty is assessed together with collaterals and other structural details of instruments. Although external credit ratings by rating agencies are used to support the internal assessment, internal assessments are always the most important factor in decision

Table 2–8 Credit risk position by asset class, sector and credit rating, Mandatum Life, 31 December 2021

EUR million	AAA	AA+ - AA-	A+ - A-	BBB+ - BBB-	BB+ - C	D	Not rated	Fixed income total	Listed equities	Other	Counter-party risk	Total	Change from 31 Dec 2020
Basic Industry	0.0	0.0	0.0	14.9	32.9	0.0	11.2	59.0	74.1	0.0	0.0	133.1	-76.8
Capital Goods	0.0	0.0	4.2	2.1	54.5	0.0	24.8	85.6	126.1	0.0	0.0	211.7	-10.4
Consumer Products	0.0	3.2	17.5	79.2	112.2	0.0	26.8	238.9	155.2	0.0	0.0	394.2	-58.5
Energy	0.0	0.0	0.0	0.0	0.0	0.0	49.0	49.0	9.8	0.3	0.0	59.1	0.4
Financial Institutions	0.0	207.4	590.8	444.9	87.5	0.0	24.2	1,354.8	12.4	5.4	0.0	1,372.6	-120.6
Governments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Government Guaranteed	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Health Care	0.0	0.0	1.6	23.4	144.7	0.0	19.9	189.5	119.6	0.0	0.0	309.1	30.3
Insurance	0.0	0.0	16.1	41.3	0.0	0.0	23.0	80.4	9.0	1.0	0.0	90.4	10.7
Media	0.0	0.0	0.0	0.0	4.8	0.0	3.0	7.8	0.0	0.0	0.0	7.8	-6.9
Packaging	0.0	0.0	0.0	0.0	6.0	0.0	23.0	29.0	6.5	0.0	0.0	35.5	-7.9
Public Sector, Other	0.0	0.0	22.9	0.0	0.0	0.0	0.0	22.9	0.0	0.0	0.0	22.9	-0.7
Real Estate	0.0	0.0	0.0	96.8	0.0	0.0	139.5	236.3	0.0	182.0	0.0	418.3	-37.6
Services	0.0	0.0	0.0	66.8	185.4	0.0	67.3	319.4	75.0	3.0	0.0	397.4	-16.2
Technology and Electronics	0.0	0.0	0.0	17.1	9.5	0.0	25.3	52.0	162.0	0.0	0.0	213.9	-34.3
Telecommunications	0.0	0.0	8.2	45.7	69.5	0.0	0.0	123.5	0.5	0.0	0.0	123.9	-15.0
Transportation	0.0	0.0	2.1	10.6	0.0	0.0	6.0	18.7	18.5	0.0	0.0	37.2	-9.4
Utilities	0.0	1.4	0.0	62.6	110.0	0.0	0.0	174.1	23.8	0.0	0.0	197.9	5.7
Others	0.0	0.0	0.0	0.0	18.9	0.0	31.4	50.4	0.0	15.8	0.0	66.2	22.4
Asset-Backed Securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Covered Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-11.9
Funds	0.0	0.0	0.0	0.0	0.0	0.0	139.3	139.3	440.7	562.3	0.0	1,142.4	35.6
Clearing House	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	**0.0**	**212.0**	**663.3**	**905.4**	**836.0**	**0.0**	**613.8**	**3,230.6**	**1,233.1**	**769.8**	**0.0**	**5,233.5**	**-300.9**
Change from 31 Dec 2020	**-12.9**	**-0.9**	**-26.5**	**-135.6**	**-37.8**	**0.0**	**-64.9**	**-278.6**	**-102.3**	**81.0**	**-1.0**	**-300.9**	

making. Expertise and resources required for making analyzes have been continuously developed in investment management units during recent years.

2. When the details of an instrument are understood and the related earnings potential and risks are considered to be in balance, an investment transaction shall be executable at short notice regardless of instrument type. This puts pressure on credit limit structures and procedures that must be at the same time
   i. flexible enough to facilitate fast decision making regardless of instrument type,
   ii. well-structured to ensure that investment opportunities are assessed prudently, taking into account the specific features and risks of all investment types and
   iii. they must restrict the maximum exposure of single name risk to the level that is in balance with the company's risk appetite.

   In recent years, credit limit structures and procedures have been in focus when developing the companies' investment policies.

Credit exposure accumulations over single names and products are monitored regularly at the company level and at Group level to identify unwanted concentrations. Credit exposures are reported regularly to the ALCO and the Board of Directors, for instance, by sector and asset class and within fixed income by rating. Individual issuers' and counterparties' credit ratings are monitored continuously.

Derivatives' counterparty risk is managed and mitigated by bilateral ISDA and CSA agreements.

2.4 Liquidity Risk

Liquidity risk is the risk of the company being unable to realize its investments or other assets in order to settle its financial obligations when they fall due.

A relatively small part of liabilities can be surrendered, and it is therefore possible to forecast short-term cash flows related to claims payments in a reliable manner. In addition, the assets are liquid and thus, liquidity risk is currently not significant to the company. More detailed description of liquidity risk of Mandatum Group can be found in Chapter 4.2.

2.5 Insurance Risks

Insurance risks in the life insurance business encompass biometric risks, lapse risk and expense risk. Risk related to the discount rate applied to with-profit liabilities is part of markets risks, but it closely relates to insurance products and is therefore presented as part of insurance risks. This section presents the development of these life insurance risks in 2021. In addition, the section presents the key insurance risk management principles.

2.5.1 Biometric Risks

Biometric risks in life insurance refer mainly to the risk that the company must pay more mortality, disability or morbidity benefits than expected or the company has to keep paying pension payments to the pension policy holders for a longer time (longevity risk) than expected when pricing the policies. The specific case in which a single event or series of single events of major magnitude leads to a significant deviation in actual benefits and payments from the total expected payments is called catastrophe risk.

The long duration of policies and restriction of the company's right to change policy terms and conditions and tariffs increases biometric risks. If the premiums turn out to be inaccurate and pricing cannot be changed afterwards, liabilities must be supplemented with an amount corresponding to the expected losses.

Table 2–10 shows the insurance risk result in the company's direct insurance policies, excluding the Baltic business's result. The ratio of the actual claims costs to the assumed was 68 percent in 2021 (73). Sensitivity of the insurance risk result can also be assessed on the basis of the information in the table. For example, a 100 percent increase in mortality would increase the amount of benefit payments from EUR 12.1 million to approximately EUR 24.2 million. The risk result of Baltic business was EUR 1.6 million (1.5).

Longevity risk is the most significant biometric risk in the company. The with-profit group pension portfolio represents most of the longevity risk. With-profit group pension policies have mostly been closed to new members for years, and due to this, the average age of members is relatively high, around 70 years. In the unit-linked group pension and individual pension portfolio, the longevity risk is less significant because most of these policies are fixed-term annuities including death cover, which mitigate the longevity risk.

The annual longevity risk result and longevity trend are analyzed regularly. For the segregated group pension portfolio, the life expectancy used to calculate the liabilities was revised in 2014, and for the other group pension portfolios, in 2002 and 2007. In total, these changes increased the 2021 liabilities by EUR 71.0 million (78.3), including a EUR 58.2 million (64.8) longevity reserve for the segregated group pension portfolio. The cumulative longevity risk result has been positive since these revisions. The longevity risk result for group pension insurance policies in 2021 was EUR 11.3 million (11.6) positive, after a EUR 7.3 million (7.8) release from the longevity reserve.

The mortality risk result in life insurance is positive. A possible pandemic is seen as the most significant risk that could adversely affect the mortality risk result, although the Covid-19 pandemic has not really had a negative impact on the development of the company's mortality risk result. This is largely due to the fact that the impacts of the disease more often affect the elderly, who generally no longer have risk life insurance.

The insurance risk result of other biometric risks has been profitable in total, although the different risk results vary considerably. In the longer term, disability and morbidity risks are mitigated by the company's right to raise insurance premiums for existing policies in case the claims experience deteriorates.

The insurance portfolio of the company is relatively well diversified and does not include major concentration risks. To further mitigate the effects of possible risk concentrations, the company has catastrophe reinsurance in place.

Table 2–10 Claims ratios after reinsurance 2021 and 2020, excluding the Baltic business's share, Mandatum Life

	2021			2020		
EUR million	Risk income	Claims expense	Claims ratio	Risk income	Claims expense	Claims ratio
Life insurance	**47.3**	**17.3**	**37%**	**47.4**	**24.2**	**44%**
Mortality	28.2	12.1	43%	28.5	14.3	36%
Morbidity and disability	19.1	5.3	28%	19.0	9.9	52%
Pension	**83.5**	**72.1**	**86%**	**87.8**	**74.7**	**95%**
Individual pension	14.0	14.6	104%	14.4	13.7	95%
Group pension	69.4	57.4	83%	73.4	61.0	83%
Mortality (longevity)	67.9	56.6	83%	71.5	59.9	84%
Disability	1.6	0.9	54%	1.9	1.1	59%
Total	**130.8**	**89.4**	**68%**	**135.2**	**99.0**	**73%**

2.5.2 Discount Rate Risk in Liabilities

Discount rate risk applied in with-profit liabilities is the main risk affecting the adequacy of liabilities for insurance contracts. The guaranteed interest rate in policies is fixed for the whole policy period. Thus, if market interest rates and expected investment returns fall, liabilities may have to be supplemented.

In most of the original with-profit policies, the guaranteed interest rate is 3.5 percent. In individual policies sold in Finland before 1999, the guaranteed interest rate is 4.5 percent, which is also the statutory maximum discount rate. With respect to these policies, the maximum discount rate used when discounting liabilities has been decreased to 3.5 percent. As a result, liabilities were supplemented with EUR 32.4 million in 2021 (35.0). In addition, EUR 241.6 million has been reserved to lower the interest rate of with-profit liabilities to 0.25 percent in 2022–2025, and to 0.75 percent in 2026, that is the company has set up an extra reserve of EUR 274.0 million (218.1) as part of liabilities for insurance contracts.

The guaranteed interest rate for the segregated group pension policies is mainly 3.5 percent. From a risk management perspective, it is more important that the discount rate for the technical provisions is 0.0 percent. The liabilities calculated with 3.5 percent (so-called basic provision) total EUR 485.1 million (565.1) and the liabilities calculated with 0.0 percent supplement this basic provision by EUR 183.5 million (232.3). The increase in the future bonus reserves plays a significant role in the risk management of the segregated portfolio. This provision totals EUR 82.4 million (77.7), which can be used to cover possible investment losses or to finance possible changes in the discount rate of segregated liabilities.

The liabilities related to each product type and guaranteed interest rates are shown in Table 2–11. The table also shows the change in each category in 2021.

2.5.3 Other Insurance Risks

The most significant other insurance risks arise from the uncertainty related to the behavior of policyholders. The policyholders have the right to cease paying premiums and the possibility to interrupt their policies (lapse risk). Being able to keep lapse and surrender rates at a low level is a crucial success factor especially for the expense result of unit-linked business. From the ALM point of view, lapse risk is less significant because in the company, approximately 85 percent of with-profit policies are pension policies in which surrender is possible only in exceptional cases. For ALM, surrender risk is therefore only relevant in with-profit investment insurance and capital redemption policies of which the related liabilities amount to only about five percent of the total with-profit liabilities. Furthermore, the supplements to liabilities are not paid out at surrender, thereby also reducing the surrender risk related to the with-profit policies.

2.5.4 Insurance Risk Management and Control

The biometric risks of life insurance policies are managed through careful risk selection, by setting prices to reflect the risks and costs, by setting upper limits for the protection granted and through reinsurance. The Insurance Risk Committee monitors the comprehensiveness and appropriateness of the company's insurance risk management.

Risk selection is part of the day-to-day business routines in the company. Mandatum Life's underwriting policy defines the risk selection principles and limits for the insurance amounts. The Board of Directors approves the Underwriting Policy, pricing guidelines and the central principles for the calculation of technical provisions.

Reinsurance is used to limit the amount of individual mortality and permanent disability risks. The Board of Directors annually determines the maximum amount of risk to be retained on the company's own account, which for the company is EUR 1.5 million per insured. To mitigate the effects

Table 2–11 Analysis of the change in liabilities before reinsurers' share, Mandatum Life

EUR million	Liability 2020	Premiums	Claims paid	Expense charges	Guaranteed interest	Bonuses	Other	Liability 2021	Share %
Mandatum Life									
Unit-linked, excl. Baltic	**8,599.8**	**1,255.8**	**-712.8**	**-94.1**	**0.0**	**0.0**	**1,476.7**	**10,525.5**	**75%**
Individual pension insurance	1,575.5	54.0	-22.8	-21.1	0.0	0.0	191.9	1,777.5	13%
Individual life	2,285.2	110.7	-134.7	-20.2	0.0	0.0	254.3	2,495.3	18%
Capital redemption operations	3,518.3	999.4	-515.7	-29.2	0.0	0.0	748.2	4,721.0	34%
Group pension	1,220.7	91.7	-39.6	-23.5	0.0	0.0	282.4	1,531.7	11%
With profit and others, excl. Baltic	**3,509.5**	**95.2**	**-370.7**	**-30.4**	**90.0**	**12.2**	**-69.4**	**3,236.4**	**23%**
Group pension insurance. segregated portfolio	**875.1**	**2.2**	**-48.3**	**-0.8**	**18.5**	**12.2**	**-107.9**	**751.0**	**5%**
Basic liabilities. guaranteed rate 3.5%	565.1	2.2	-48.3	-0.8	18.5	12.2	-63.8	485.1	3%
Reserve for decreased discount rate (3.5% → 0.0%)	232.3	0.0	0.0	0.0	0.0	0.0	-48.8	183.5	1%
Future bonus reserves	77.7	0.0	0.0	0.0	0.0	0.0	4.7	82.4	1%
Group pension	**1,525.4**	**23.4**	**-171.1**	**-3.3**	**45.0**	**0.0**	**-22.4**	**1,396.9**	**10%**
Guaranteed rate 3.5%	1,233.5	0.0	-135.1	-1.6	41.3	0.0	-9.5	1,128.6	8%
Guaranteed rate 2.5%, 1.5% or 0.0%	291.9	23.4	-36.0	-1.7	3.7	0.0	-12.9	268.3	2%
Individual pension insurance	**609.4**	**4.6**	**-123.5**	**-3.2**	**21.7**	**0.0**	**41.1**	**550.1**	**4%**
Guaranteed rate 4.5%	430.3	2.7	-64.7	-2.3	17.3	0.0	-6.2	377.1	3%
Guaranteed rate 3.5%	116.2	1.5	-14.0	-0.6	3.6	0.0	5.6	112.3	1%
Guaranteed rate 2.5% or 0.0%	62.9	0.4	-44.8	-0.3	0.7	0.0	41.8	60.7	0%
Individual life insurance	**133.3**	**30.4**	**-17.7**	**-9.4**	**4.6**	**0.0**	**-11.4**	**129.9**	**1%**
Guaranteed rate 4.5%	47.7	3.8	-2.2	-1.1	2.1	0.0	-1.2	49.1	0%
Guaranteed rate 3.5%	66.3	8.5	-7.9	-2.8	2.2	0.0	-3.2	63.2	0%
Guaranteed rate 2.5% or 0.0%	19.4	18.1	-7.7	-5.5	0.2	0.0	-7.0	17.6	0%
Capital redemption operations	**25.8**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**2.0**	**27.8**	**0%**
Guaranteed rate 3.5%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0%
Guaranteed rate 2.5% or 0.0%	25.8	0.0	0.0	0.0	0.0	0.0	2.0	27.8	0%
Future bonus reserves	**0.1**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**-0.1**	**0.0**	**0%**
Reserve for decreased discount rate	**218.1**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**55.9**	**274.0**	**2%**
Longevity reserve	**78.3**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**-7.3**	**71.0**	**1%**
Assumed reinsurance	**1.5**	**0.1**	**-0.2**	**0.0**	**0.0**	**0.0**	**-0.2**	**1.1**	**0%**
Other liabilities	**42.5**	**34.5**	**-9.8**	**-13.8**	**0.1**	**0.0**	**-19.0**	**34.6**	**0%**
Total, excl. Baltic	**12,109.3**	**1,351.0**	**-1,083.4**	**-124.6**	**89.9**	**12.2**	**1,407.4**	**13,761.9**	**99%**
Baltic	**177.0**	**24.8**	**-15.6**	**-5.1**	**0.4**	**0.0**	**15.0**	**196.4**	**1%**
Unit-linked liabilities	165.4	22.6	-13.3	-4.4	0.0	0.0	15.7	186.1	1%
Other liabilities	11.6	2.2	-2.3	-0.8	0.4	0.0	-0.7	10.3	0%
Mandatum Life Group total	**12,286.3**	**1,375.8**	**-1,099.0**	**-129.6**	**90.3**	**12.2**	**1,422.2**	**13,958.3**	**100%**

of possible catastrophes, the company participates in catastrophe reinsurance.

The risk result is actively monitored and analyzed thoroughly at least annually. The company measures the efficiency of risk selection and adequacy of tariffs by collecting information about the actual claims expenditure for each product line and each type of risk and by comparing it to the claims expenditure assumed in insurance premiums of every risk cover. The expense risk is managed by continuously monitoring expenses, by improving efficiency and by using an expense charge structure that provides income throughout the policy's life cycle.

Liabilities are analyzed and the possible supplement needs are assessed regularly. The key assumptions related to liabilities are reviewed annually. The adequacy of liabilities is tested quarterly. Tariffs for new policies are set, and the underwriting policy and assumptions used in calculating liabilities are updated based on the analysis related to liabilities and risk result.

3. Risks Related to Mandatum Asset Management's Business Activities

MAM's most significant risk area is operational risks, which is why operational risk management is an important part of the company's risk management. In addition to operational risks, MAM is exposed to liquidity risk. MAM's business is financed with the returns on assets under management, consisting of the fee income clients and partners pay for asset management. MAM has not used external financing for its activities and therefore has no risks related to external financing, such as interest rate risk, foreign exchange risk or refinancing risk. MAM manages its liquidity risk by regularly monitoring its liquidity position and maintaining a liquidity buffer. MAM also keeps track of its liquidity position from the perspective of regulatory liquidity requirements.

Due to its customer portfolio, MAM is also exposed to concentration risk, as most of its clients are Sampo Group companies. Mandatum Life is MAM's largest customer, measured by fee income. The concentration risk is considered to be minor, however, because Mandatum Life and MAM are both part of Sampo Group.

MAM does not trade on its own account and is thus not exposed to market risks that would arise from its own trading activities. However, MAM's fee income is strongly tied to the value of the assets under its management, and MAM is exposed to market risk through fee income. The assets under MAM's management are, however, well-diversified across asset classes and industries, but also geographically.

4. Mandatum Group

4.1 Operating Expense Risk

Mandatum is also exposed to expense risk, which is a risk that the future operating expenses exceed the level that was anticipated when pricing the insurance and services. In life insurance business, policy terms and tariffs cannot usually be changed during the lifetime of the policies, which increases the expense risk. The main challenge is to keep the costs of the processes related to managing insurance policies and services and the costs of complex IT architecture at an acceptable level. In 2021, the Group's operational result (fee income minus operating expenses) was EUR 44.9 million (26.6). Mandatum does not defer insurance acquisition costs. Figure 4–1 shows the Group's operational result for 2012–2021. In the figure, the operational result for 2020 and earlier years corresponds to the figures for Mandatum Life Group.

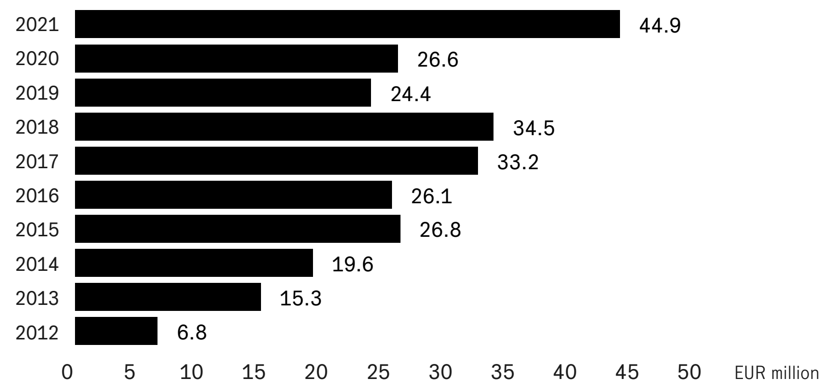
4.2 Liquidity Risk

Liquidity risk bears relatively little significance in Mandatum Group. It bears the most significance in Mandatum Life, but in general, a life insurance company's liabilities in a with-profit insurance portfolio are relatively predictable, and a sufficient share of the corresponding investment assets are cash or short-term money market investments.

Generally speaking, a major change in surrenders could have an impact on a life insurance company's liquidity position. In Mandatum Life, however, only a relatively small number of insurance contracts can be surrendered prematurely, as a result of which it is possible to very accurately predict short-term cash flows from claims incurred.

The maturities of technical provisions and financial assets and liabilities are presented in Table 4–2. The table shows the financing need arising from the expected cash flows of financial assets and liabilities and technical provisions.

Figure 4–1 Mandatum's operational result 2012–2021



As mentioned above, for MAM, liquidity risk is related more to the payment of the company's expenses, and especially since a significant share of the expenses is related to intra-Group charges, the liquidity risk related to MAM's operations is very low for the Group. This is highlighted by the fact that MAM's capitalization has been arranged with equity assets.

4.3 Currency Risks

Currency risks can be divided into transaction risk and translation risk. Mandatum Group is exposed to transaction risk, meaning the currency risk arising from contractual foreign-currency-denominated cash flows mainly in the life insurance company.

In Mandatum Group, transaction risk arises from Mandatum Life's investments in currencies other than euro, because Mandatum Life's technical provisions are in euro (excluding reinsurance, which has little significance). Open currency positions are managed within the permitted limits.

Mandatum Group's transaction risk position thus corresponds to Mandatum Life's currency position described in Table 2–4 above.

Table 4–2 Cashflows according to contractual maturity, Mandatum Group, 31 December 2021

	Carrying amount total			Cash flows						
EUR million	Carrying amount total	Carrying amount without contractual maturity	Carrying amount with contractual maturity	2022	2023	2024	2025	2026	2027–2036	2037–
Financial assets	**5,310.0**	**2,871.6**	**2,438.4**	**223.2**	**300.9**	**704.2**	**605.5**	**419.1**	**451.4**	**0.0**
Financial assets (non-derivatives)	5,306.0	2,871.6	2,434.4	219.4	300.9	704.2	605.5	419.1	451.4	0.0
Interest rate swaps	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FX derivatives	4.0	0.0	4.0	3.7	0.0	0.0	0.0	0.0	0.0	0.0
Financial liabilities	**458.8**	**0.0**	**458.8**	**-37.8**	**-8.8**	**-259.2**	**-4.7**	**-4.8**	**-52.1**	**-171.6**
Financial liabilities (non-derivatives)	427.8	0.0	427.8	-8.7	-8.8	-259.2	-4.7	-4.8	-52.1	-171.6
Interest rate swaps	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FX derivatives	31.1	0.0	31.1	-29.0	0.0	0.0	0.0	0.0	0.0	0.0
Lease liabilities	**22.5**	**0.0**	**22.5**	**-1.6**	**-1.6**	**-1.6**	**-1.6**	**-1.6**	**-14.4**	**0.0**
Net technical provisions	**2,706.8**	**0.0**	**2,706.8**	**-215.3**	**-232.4**	**-239.3**	**-221.6**	**-205.4**	**-1,300.0**	**-819.9**

*In the table, financial assets and liabilities have been divided into contracts with a contractual maturity and other contracts. Instead of presenting the cash flow profile of other contracts, only their carrying amount is presented. In addition, the table presents the technical provisions' expected cash flows after reinsurance. Due to the nature of the items, the figures include some uncertainty.

As Mandatum Group has quite few financial liabilities, the refinancing risk is relatively small.

Segment Information

Mandatum Group's segmentation is based on division by product group and business activity. The reported segments are "Unit-linked contracts," other contracts and asset management solutions.

The investment risks vary by product group. The segment results are reported to the management of the company as part of management reporting.

Return on investments covering unit-linked contracts and commissions received from fund management companies have been allocated to the segment "Unit-linked contracts". Allocation of operational expenses and tangible and intangible assets has been carried out through internal cost accounting.

In the inter-segment and inter-company pricing, for both domestic and cross border transactions, market-based prices are applied. The pricing is based on the code of conduct on Transfer Pricing Documentation in the EU and OECD guidelines.

Consolidated Income Statement by Business Segment for Year Ended 31 December 2021

EUR million	Mandatum Life Unit-linked contracts	Mandatum Life Other contracts	Mandatum Asset Management	Elimination and items not allocated to segments	Group
Insurance premiums	1,278.4	88.6	0.0	0.0	1,367.0
Net income from investments[1]	1,448.1	337.2	0.0	1.9	1,787.2
Other operating income		25.5	49.7	-35.0	40.2
Claims incurred	-726.1	-401.0	0.0	0.0	-1,127.0
Change in liabilities for insurance and investment contracts[2]	-1,875.9	233.9	0.0	0.0	-1,642.1
Staff costs	-46.6	-6.3	-12.5	0.0	-65.4
Other operating expenses	-40.4	-56.1	-18.9	30.8	-84.6
Group contribution to Sampo plc	0.0	0.0	-15.0	0.0	-15.0
Finance costs		-16.0	-0.1	2.3	-13.8
Share of associates' profit/loss		0.6	0.0	0.0	0.6
Profit before taxes	**37.6**	**206.4**	**3.2**	**0.0**	**247.1**
Taxes	-7.5	-42.8	-0.6	0.0	-50.9
Minority interest	0.0	0.1	0.0	0.0	0.1
Profit	**30.1**	**163.7**	**2.6**	**0.0**	**196.3**

EUR million	Mandatum Life Unit-linked contracts	Mandatum Life Other contracts	Mandatum Asset Management	Elimination and items not allocated to segments	Group
Other comprehensive income for the year					
Shadow accounting		5.4			
Available-for-sale financial assets		126.2			
Cash flow hedging		0.0			
Income tax relating to components of other comprehensive income		-25.2			
Other comprehensive income					**106.4**
TOTAL COMPREHENSIVE INCOME					**302.6**
Profit attributable to					
Owners of the parent company					196.2
Non-controlling interests					0.1
Total comprehensive income attributable to					
Owners of the parent company					196.2
Non-controlling interests					0.1

[1] "Mandatum Life Other contracts" includes Mandatum's share, EUR 11.3 million, of the segregated portfolio's investment result according to the old segment.

[2] In the "Mandatum Life Unit-linked contracts" segment, the transfer of liabilities between unit-linked and other contracts has been recognized.

The transfers between segments have an effect of EUR 69.0 million (82.2) in the item 'Change in liabilities for insurance and investment contracts' of the "Unit-linked contracts" and a corresponding EUR -69 million in the liabilities for insurance contracts of the "Mandatum Life Other contracts" segment.

Consolidated Income Statement by Business Segment for Year Ended 31 December 2020

EUR million	Mandatum Life Unit-linked contracts	Mandatum Life Other contracts	Mandatum Asset Management	Elimination and items not allocated to segments	Group
Insurance premiums	962.2	88.6	0.0	0.0	1,050.8
Net income from investments[1]	416.4	172.9	0.0	-2.6	586.7
Other operating income		7.3	18.4	0.0	25.7
Claims incurred	-717.5	-371.6	0.0	0.0	-1,089.1
Change in liabilities for insurance and investment contracts[2]	-558.6	286.1	0.0	0.0	-272.5
Staff costs	-30.6	-16.7	-5.7	0.0	-53.0
Other operating expenses	-40.3	-29.8	-8.9	0.0	-79.0
Group contribution to Sampo plc		-1.8	-1.6		-3.4
Finance costs		-12.2	-0.1	-0.2	-12.4
Share of associates' profit/loss		0.0	0.0	0.0	0.0
Profit before taxes	**31.6**	**122.8**	**2.3**	**-2.8**	**153.9**
Taxes	-6.3	-30.4	-0.1	0.0	-36.8
Minority interest	0.0	0.0	0.0	0.0	0.0
Profit	**25.3**	**92.5**	**2.1**	**-2.8**	**117.0**

EUR million	Mandatum Life Unit-linked contracts	Mandatum Life Other contracts	Mandatum Asset Management	Elimination and items not allocated to segments	Group
Other comprehensive income for the year					
Shadow accounting		0.8			
Available-for-sale financial assets		119.1			
Income tax relating to components of other comprehensive income		-23.8			
Other comprehensive income for the year, net of tax					**96.1**
TOTAL COMPREHENSIVE INCOME					**213.2**
Profit attributable to					
Owners of the parent company					117.0
Non-controlling interests					0.0
Total comprehensive income attributable to					
Owners of the parent company					213.2
Non-controlling interests					0.0

[1] "Mandatum Life Other contracts" includes Mandatum's share, EUR 4.8 million, of the segregated portfolio's investment result according to the old segment.

[2] In the domestic segment the transition of liabilities between unit-linked and other contracts has been recognized.

The transfers between segments has an effect EUR 82.2 million (9.6) in the item 'Change in liabilities for insurance and investment contracts' of the unit-linked contracts and EUR 40.4 million (0.4) of other contacts and EUR -41.8 million (-9.3) of segregated portfolio.

Consolidated Balance Sheet by Business Segment at 31 December 2021

EUR million	Mandatum Life Unit-linked contracts	Mandatum Life Other contracts	Mandatum Asset Management	Elimination	Group
Assets					
Property, plant and equipment	2.4	25.1	0.1	0.0	27.6
Investment property	0.0	129.4	0.0	0.0	129.4
Intangible assets	5.0	3.0	46.3	0.0	54.3
Investments in associates	0.0	1.3	0.0	0.0	1.3
Financial assets	0.0	4,430.3	0.9	-3.8	4,427.4
Investments related to unit-linked insurance and investment contracts	10,557.6	0.0	0.0	0.0	10,557.6
Reinsurers' share of insurance liabilities	0.0	1.5	0.0	0.0	1.5
Other assets	0.0	161.7	18.9	-23.6	157.0
Cash and cash equivalents	0.0	876.6	41.5	0.0	918.1
Assets classified as held for sale[1]	186.1	10.3	0.0	0.0	196.4
Total assets	**10,751.2**	**5,639.3**	**107.6**	**-27.4**	**16,470.6**

EUR million	Mandatum Life Unit-linked contracts	Mandatum Life Other contracts	Mandatum Asset Management	Elimination	Group
Liabilities					
Liabilities for insurance and investment contracts	0.0	3,236.4	0.0	0.0	3,236.4
Liabilities for unit-linked insurance and investment contracts	10,525.5	0.0	0.0	0.0	10,525.5
Financial liabilities	0.0	378.5	0.0	-3.8	374.7
Tax liabilities	0.0	158.4	0.2	0.0	158.6
Other liabilities	47.2	255.9	30.5	-92.7	240.9
Liabilities associated with assets held for sale	186.1	10.3	0.0	0.0	196.4
Total liabilities	**10,758.8**	**4,039.5**	**30.8**	**-96.5**	**14,732.5**
Equity					
Share capital					5.0
Reserves					1,174.2
Retained earnings					558.9
Equity attributable to parent company's equity holders					**1,738.1**
Non-controlling interests					0.0
Total equity					**1,738.1**
Total equity and liabilities					**16,470.6**

[1]Assets to be sold relate to the Baltic business.

Consolidated Balance Sheet by Business Segment at 31 December 2020

EUR million	Mandatum Life Unit-linked contracts	Mandatum Life Other contracts	Mandatum Asset Management	Elimination	Group
Assets					
Property, plant and equipment	2.6	27.1	0.0	0.0	29.6
Investment property	0.0	133.7	0.0	0.0	133.7
Intangible assets	0.5	4.0	2.1	0.0	6.6
Investments in associates	0.0	0.6	0.0	0.0	0.6
Financial assets	0.0	4,832.1	0.0	7.0	4,839.1
Investments related to unit-linked insurance	8,805.3	0.0	0.0	0.0	8,805.3
Reinsurers' share of insurance liabilities	0.0	1.0	0.0	0.0	1.0
Other assets	0.2	107.4	3.7	-4.2	107.1
Cash and cash equivalents	0.0	669.6	12.8	0.0	682.4
Total assets	**8,808.5**	**5,775.4**	**18.6**	**2.8**	**14,605.4**

EUR million	Mandatum Life Unit-linked contracts	Mandatum Life Other contracts	Mandatum Asset Management	Elimination	Group
Liabilities					
Liabilities for insurance and investment contracts	0.0	3,521.1	0.0	0.0	3,521.1
Liabilities for unit-linked insurance and investment contracts	8,765.2	0.0	0.0	0.0	8,765.2
Financial liabilities	0.0	352.4	0.0	0.0	352.4
Tax liabilities	0.0	138.8	0.0	0.0	138.8
Other liabilities	46.3	175.1	5.7	19.8	246.9
Total liabilities	**8,811.6**	**4,187.4**	**5.7**	**19.8**	**13,024.5**
Equity					
Share capital					40.4
Reserves					663.1
Retained earnings					877.5
Equity attributable to parent company's equity holders					**1,580.9**
Non-controlling interests					0.0
Total equity					**1,580.9**
Total equity and liabilities					**14,605.4**

Notes to the Income Statement

1. Insurance Premiums

Premiums from Insurance Contracts

EUR million	2021	2020
Insurance contracts		
Insurance contracts	371.6	342.7
Reinsurance contracts	0.1	0.3
Insurance contracts total, gross	**371.7**	**342.9**
Reinsurers' share	-8.8	-8.2
Insurance contracts total, net	**362.9**	**334.8**
Investment contracts	**1,004.1**	**716.0**
Total premiums*	**1,367.0**	**1,050.8**

*The change in unearned premiums is presented in note 4 "The change in insurance and investment liabilities".

Specification of Premiums

EUR million	2021	2020
Premiums from insurance contracts		
Premiums from contracts with discretionary participation feature	95.7	97.2
Premiums from unit-linked contracts	274.4	244.3
Premiums from other contracts	1.6	1.2
Total	**371.6**	**342.7**
Assumed reinsurance	0.1	0.3
Premiums from investment contracts		
Premiums from contracts with discretionary participation feature	0.0	0.0
Premiums from unit-linked contracts	1,004.1	716.0
Total	**1,004.1**	**716.0**
Insurance and investment contracts, total	**1,375.8**	**1,059.0**

EUR million	2021	2020
Reinsurers' share	-8.8	-8.2
Total premiums	**1,367.0**	**1,050.8**
Direct insurance premiums by geographical segments		
Finland	1,350.9	1,036.9
Baltic countries	24.8	21.8
Total	**1,375.7**	**1,058.7**
Single and regular premiums from direct insurance		
Regular premiums, insurance contracts	258.4	247.0
Single premiums, insurance contracts	113.3	95.7
Single premiums, investment contracts	1,004.1	716.0
Total	**1,375.7**	**1,058.7**
Direct insurance premiums by line of business		
Premiums from insurance contracts		
Life insurance		
Unit-linked individual life insurance	128.6	106.8
Other individual life insurance	46.2	45.2
Employees' group life insurance	8.2	9.7
Other group life insurance	12.7	13.6
Total	**195.7**	**175.3**
Pension insurance		
Unit-linked individual pension insurance	54.0	53.9
Other individual pension insurance	4.6	5.6
Unit-linked group pension insurance	91.7	83.5
Other group pension insurance	25.6	24.4
Total	**175.9**	**167.4**
Total	**371.6**	**342.7**

EUR million	2021	2020
Premiums from investment contracts		
Capital redemption operations		
Unit-linked capital redemption operations	1,004.1	716.0
Other capital redemption operations	0.0	0.0
Total	**1,004.1**	**716.0**
Total premiums from insurance- and investment contracts	**1,375.7**	**1,058.7**

2. Net Income from Investments

EUR million	2021	2020
Financial assets		
Derivative financial instruments		
Gains/losses	-39.6	26.2
Investments related to unit-linked contracts		
Debt securities		
Interest income	26.2	8.1
Gains/losses	24.6	7.7
Equity securities		
Gains/losses	1,297.2	316.3
Dividend income	75.8	49.4
Loans and receivables		
Interest income	-1.8	-2.4
Other financial assets		
Gains/losses	1.9	13.5
Other assets		
Gains/losses	1.2	4.3
Total	**1,425.0**	**396.9**
Loans and receivables		
Interest income	3.4	2.4
Gains/losses	3.2	-4.1
Total	**6.6**	**-1.7**

EUR million	2021	2020
Financial assets available-for-sale		
Debt securities		
Interest income	69.3	72.4
Gains/losses	23.7	-1.8
Impairment losses	-3.9	3.9
Equity securities		
Gains/losses	204.1	121.9
Impairment losses	-7.7	-90.4
Dividend income	107.8	49.9
Total	**393.2**	**155.9**
Total financial assets	**1,785.2**	**577.3**
Other assets		
Investment properties	0.3	0.0
Gains/losses	-8.6	-2.2
Impairment losses	2.5	2.6
Other		
Total other assets	**-5.8**	**0.3**
Net fee income		
Asset management	-24.0	-14.1
Fee income	31.8	23.1
Total	**7.8**	**9.0**
Net Income from Investments total	**1,787.2**	**586.7**

Net Income from Investments Total

Included in gains/losses from financial assets available-for-sale is a net gain of EUR 253.8 million (94.2) transferred from the fair value reserve.

Other income and expenses comprise rental income, maintenance expenses and depreciation of investment property.

All the income and expenses arising from investments are included in Net income from investments. Gains/losses include realized gains/losses on sales, unrealized and realized changes in fair values and exchange differences. Unrealized fair value changes for financial assets available-for-sale are recorded in other comprehensive income and presented in the fair value reserve in equity.

The changes in the fair value reserve are disclosed in the Statement of changes in equity.

3. Claims Incurred

Claims include all claims related to insurance and investment contracts.

EUR million	Claims paid 2021	Claims paid 2020	Change in provision for claims outstanding 2021	Change in provision for claims outstanding 2020	Claims incurred 2021	Claims incurred 2020
Insurance contracts						
Life insurance						
Contracts with discretionary participation feature (DPF)	-29.6	-33.2	5.0	1.7	-24.6	-31.5
Other contracts	-0.2	-0.1	0.0	0.0	-0.2	-0.1
Unit-linked contracts	-145.2	-185.6	0.2	1.4	-145.0	-184.2
Total	**-175.0**	**-218.9**	**5.1**	**3.1**	**-169.8**	**-215.8**
Pension insurance						
Contracts with discretionary participation feature (DPF)	-342.9	-370.8	175.5	137.0	-167.4	-233.8
Unit-linked contracts	-62.4	-43.0	-210.8	-112.4	-273.2	-155.4
Total	**-405.3**	**-413.8**	**-35.3**	**24.5**	**-440.6**	**-389.2**
Assumed reinsurance	-0.2	-0.5	0.3	1.4	0.0	0.9
Total	**-580.5**	**-633.2**	**-29.9**	**29.0**	**-610.4**	**-604.2**
Reinsurers' share	1.4	1.5	0.5	0.3	1.9	1.8
Insurance contracts total	**-579.1**	**-631.7**	**-29.4**	**29.3**	**-608.5**	**-602.4**
Investment contracts						
Capital redemption policies						
Contracts with discretionary participation feature (DPF)	0.0	-0.1	-	-	0.0	-0.1
Unit-linked contracts	-518.5	-486.6	-	-	-518.5	-486.6
Total	**-518.5**	**-486.7**	**-**	**-**	**-518.5**	**-486.7**
Claims total	**-1,097.6**	**-1,118.4**	**-29.4**	**29.3**	**-1,127.0**	**-1,089.1**

Claims Paid by Type of Benefit

EUR million	2021	2020
Insurance contracts		
Life insurance		
Surrender benefits	-2.6	-3.6
Death benefits	-12.3	-14.2
Maturity benefits	-3.6	-5.1
Loss adjustment expenses	-1.6	0.0
Other	-9.6	-10.4
Total	**-29.8**	**-33.2**
Life insurance, unit-linked		
Surrender benefits	-92.8	-127.2
Death benefits	-47.0	-48.7
Maturity benefits	-5.3	-9.7
Total	**-145.2**	**-185.6**
Pension insurance		
Pension payments	-337.2	-363.8
Surrender benefits	-1.1	-0.6
Death benefits	-4.7	-6.4
Total	**-342.9**	**-370.8**

EUR million	2021	2020
Pension insurance, unit-linked		
Pension payments	-45.0	-31.1
Surrender benefits	-8.7	-6.8
Death benefits	-8.7	-5.2
Total	**-62.4**	**-43.0**
Assumed reinsurance	-0.2	-0.5
Total	**-580.5**	**-633.1**
Reinsurers' share	1.4	1.5
Insurance contracts total	**-579.1**	**-631.6**
Investment contracts		
Capital redemption policy, with-profit		
Surrender benefits	0.0	-0.1
Total	**0.0**	**-0.1**
Investment contracts		
Capital redemption policy, unit-linked		
Surrender benefits	-518.5	-486.5
Maturity benefits	-0.1	-0.1
Total	**-518.5**	**-486.6**
Investment contracts total	**-518.5**	**-486.7**
Claims paid total, gross	-1,099.0	-1,119.8
Claims paid total, net	-1,097.6	-1,118.4

4. Change in Liabilities for Insurance and Investment Contracts

EUR million	2021	2020
Insurance contracts		
Life-insurance		
Contracts with discretionary participation feature (DPF)	0.0	9.6
Other contracts	-0.1	0.2
Unit-linked contracts	-224.2	-8.8
Total	**-224.3**	**1.0**
Pension insurance		
Contracts with discretionary participation feature (DPF)	95.6	255.8
Unit-linked contracts	-302.1	-173.5
Total	**-206.5**	**82.3**
Total	**-430.8**	**83.3**
Reinsurers' share	0.5	-0.2
Insurance contracts total, net	**-430.3**	**83.6**

EUR million	2021	2020
Investment contracts		
Capital redemption policy		
Contracts with discretionary participation feature (DPF)	-2.0	-1.0
Unit-linked contracts	-1,209.3	-354.8
Total	**-1,211.3**	**-355.8**
Change in liabilities for insurance and investment contracts total, gross	**-1,642.1**	**-272.5**

5. Staff Costs

EUR million	2021	2020
Staff costs		
Wages and salaries	-49.0	-43.4
Cash-settled share-based payments	-4.9	-0.3
Pension costs - defined contribution plans	-7.9	-6.5
Other social security costs	-3.5	-2.8
Total	**-65.4**	**-53.0**

More information on share-based payments in note 32 Incentive schemes.

6. Other Operating Expenses

EUR million	2021	2020
IT costs	-24.5	-25.7
Other staff costs	-1.8	-1.2
Marketing expenses	-4.1	-4.5
Depreciation and amortization	-4.7	-4.1
Rental expenses	-1.7	-2.3
Direct insurance commissions	-4.1	-2.2
Commissions of reinsurance assumed	0.0	-0.6
Commissions on reinsurance ceded	5.8	5.4
Commissions	-28.3	-25.1
Employees' group life insurance costs	-1.9	-2.2
External consultancy fees	-1.3	-0.9
Other	-33.0	-19.0
Total	**-99.6**	**-82.3**

Item Other includes e.g. expenses related to communication, external services and other administrative expenses.

Operating Expenses by Activity

EUR million	2021	2020
Policy acquisition costs for insurance- and investment contracts		
Direct insurance commissions	-4.1	-2.2
Commission on reinsurance assumed	0.0	-0.6
Other acquisition costs	-20.8	-23.6
Policy management expenses on insurance and investment contracts	-84.1	-65.9
Administrative expenses	-12.7	-15.2
Commission on reinsurance ceded	5.8	5.4
Investment management expenses	0.8	-0.4
Claims settlement expenses	-6.1	-6.1
Other expenses	-43.7	-26.7
Total	**-165.0**	**-135.3**

7. Financial Assets and Liabilities

The financial assets in the table include balance sheet items Financial assets excluding Investments related to unit-linked contracts.

Financial assets and liabilities have been categorized in accordance with IAS 39.9. In the table are also included interest income and expenses, realized and unrealized gains and losses recognized in P&L, impairment losses and dividend income arising from those assets and liabilities.

Accrued interest income and expenses are not included in financial assets or financial liabilities. Accrued interest income was EUR 21.6 million (23.7) and accrued interest expenses EUR 1.9 million (1.9).

EUR million	2021 Carrying amount	Interest inc./exp.	Gains/ losses	Impairment losses	Dividend income
FINANCIAL ASSETS					
Financial assets at fair value through P&L					
Derivative financial instruments	3.7	-6.5	-33.1		
Financial assets designated as at fair value through P&L	0.2				
Loans and receivables	85.5	3.4	5.8	-8.6	
Financial assets available-for-sale	4,348.5	69.3	227.8	-11.6	107.8
Financial assets total	**4,437.8**	**66.2**	**200.4**	**-20.2**	**107.8**

EUR million	2021 Carrying amount	Interest inc./exp.	Gains/ losses	Impairment losses	Dividend income
FINANCIAL LIABILITIES					
Financial liabilities at fair value through P&L					
Derivative financial instruments	29.0	-	-	-	-
Other financial liabilities at amortized cost	**345.6**	**-13.3**	**-**	**-**	**-**
Financial liabilities total	**374.7**	**-13.3**	**-**	**-**	**-**

EUR million	2020 Carrying amount	Interest inc./exp.	Gains/ losses	Impairment losses	Dividend income
FINANCIAL ASSETS					
Financial assets at fair value through P&L					
Derivative financial instruments	24.5	-11.8	38.0	-	-
Financial assets designated as at fair value through P&L	-	-	-	-	-
Loans and receivables	58.5	2.4	-1.5	-2.2	-
Financial assets available-for-sale	4,756.0	72.4	120.1	-86.4	49.9
Financial assets total	**4,839.1**	**62.9**	**156.6**	**-88.7**	**49.9**

EUR million	2020 Carrying amount	Interest inc./exp.	Gains/ losses	Impairment losses	Dividend income
FINANCIAL LIABILITIES					
Financial liabilities at fair value through P&L					
Derivative financial instruments	3.2	-	-	-	-
Other financial liabilities at amortized cost	349.2	-12.2	-	-	-
Financial liabilities total	**352.4**	**-12.2**	**-**	**-**	**-**

Notes to the Balance Sheet

8. Property, Plant and Equipment

	2021				2020			
EUR million	Right to use assets*	Land and buildings	Equipment	Total	Right to use assets*	Land and buildings	Equipment	Total
Net carrying amount at 1 Jan	24.0	2.0	3.6	29.6	11.0	2.9	2.1	14.3
Additions	0.0	0.0	0.2	0.2	-1.7	0.0	1.1	25.7
Disposals	0.0	0.0	0.0	0.0	-9.3	0.0	0.0	-9.3
Depreciation	-1.6	0.0	-0.5	-2.2	-0.5	0.0	-0.5	-1.1
Closing net carrying amount at 31 Dec	**22.4**	**2.0**	**3.3**	**27.6**	**24.0**	**2.9**	**2.7**	**29.6**
At 31 Dec								
Acquisition cost	26.3	2.9	11.9	41.0	26.3	2.9	11.7	40.8
Accumulated depreciation	-3.9	-0.9	-8.6	-13.4	-2.2	-0.8	-8.1	-11.2
Net carrying amount at 31 Dec	**22.4**	**2.0**	**3.3**	**27.6**	**24.0**	**2.0**	**3.6**	**29.6**

Equipment comprise IT and office equipment

*The Group is a lessee in multiple leases concerning office premises, cars and office equipment. Right-to-use assets include the Group's rental agreements on premises.

In general, the Group rents premises for its own use. The contracts have mainly been made for 2–5 years. Most of the contracts include an option to renew the contract after the term has expired.

The rents are usually linked to the consumer price index.

More information about Group's leases in note 28.

9. Investment Property

EUR million	2021	2020
At 1 Jan		
Acquisition cost	238.4	237.5
Accumulated depreciation	-70.9	-67.5
Accumulated impairment losses	-33.9	-33.9
Net carrying amount at 1 Jan	**133.7**	**136.1**
Opening net carrying amount	**133.7**	**136.1**
Additions	7.8	3.1
Disposals	-0.1	-2.3
Depreciation	-3.4	-3.3
Impairment losses	-8.6	0.0
Closing net carrying amount at 31 Dec	**129.4**	**133.7**
At 31 Dec		
Acquisition cost	246.1	238.4
Accumulated depreciation	-74.3	-70.9
Accumulated impairment losses	-42.4	-33.9
Net carrying amount at 31 Dec	**129.4**	**133.7**
Rental income from investment property	**14.7**	**15.9**
Property rented out under operating lease		
Non-cancellable minimum rental		
not later than one year	7.3	7.9
later than one year and not later than five years	10.0	12.8
later than five years	0.8	0.7
Total	**18.1**	**21.3**
Variable rents recognized as income during the financial period	0.0	0.1

EUR million	2021	2020
Expenses arising from investment property		
Direct operating expenses arising from investment property generating rental income during the period	-6.5	-6.6
Direct operating expenses arising from investment property not generating rental income during the period	-2.3	-2.3
Total	**-8.8**	**-8.9**
Fair value of investment property at 31 Dec	**176.7**	**170.7**

Fair values for the investment property are entirely determined by the Group based on the market evidence.

The premises in investment property for different segments are leased on market-based, irrevocable contracts. The lengths of the contracts vary from those for the time being to those for several years.

10. Intangible Assets

EUR million	2021	2020
At 1 Jan		
Acquisition cost	58.1	54.3
Accumulated amortization	-51.5	-45.3
Net carrying amount at 1 Jan	**6.6**	**8.9**
Opening net carrying amount	6.6	8.9
Additions	50.3	3.8
Disposals	-0.1	
Amortization	-2.5	-6.2
Closing net carrying amount at 31 Dec	**54.3**	**6.6**
At 31 Dec		
Acquisition cost	108.4	58.1
Accumulated amortization	-54.0	-51.5
Net carrying amount at 31 Dec	**54.4**	**6.6**

The largest item of intangible assets is 'Goodwill', EUR 41.4 million (0.0). The increase in goodwill in 2021 results from the combination of Sampo's and Mandatum's asset management activities as well as from the acquisition of the shares of Trevian Funds AIFM Ltd. Goodwill was tested for impairment. The result of the testing shows that the asset has not been impaired during the period.

The share of projects not yet completed is EUR 2.4 million (0.0).

The rest of the intangible rights consist of customer bases and, to a lesser extent, of IT software.

Amortization and impairment losses are included in the income statement item 'Other operating expenses'.

11. Investments in Associates

Associates that have been Accounted for by the Equity Method at 31 Dec 2021

EUR million	Carrying amount	Fair value	Interest held %	Assets/ liabilities	Revenue	Profit/ loss
Precast Holding Oy	2.6	2.6	20.4	42.2/37.0	66.4	2.4

Associates that have been Accounted for by the Equity Method at 31 Dec 2020

EUR million	Carrying amount	Fair value	Interest held %	Assets/ liabilities	Revenue	Profit/ loss
Precast Holding Oy	2.6	2.6	20.4	48.5/45.9	55.5	-0.2

Changes in Investments in Associates

EUR million	2021	2020
At beginning of year	0.6	2.5
Change	0.1	-1.9
Share of loss/profit	0.6	0.0
At end of year	**1.3**	**0.6**

12. Financial Assets

Group's financial assets comprise investments in derivatives, financial assets designated as at fair value through P&L, loans and receivables and available-for-sale financial assets. The Group uses derivative instruments for trading and for hedging purposes. The derivatives used are foreign exchange, interest rate and equity derivatives. Fair value hedging has been applied.

EUR million	2021	2020
Derivative financial instruments	3.7	24.5
Loans and receivables	85.5	58.5
Financial assets available-for-sale	4,348.5	4,756.0
Total	**4,437.8**	**4,839.1**

Derivative Financial Instruments

EUR million	2021 Contract notional amount	2021 Fair value Assets	2021 Fair value Liabilities	2020 Contract notional amount	2020 Fair value Assets	2020 Fair value Liabilities
Foreign exchange derivatives						
Currency forwards	771.1	3.7	16.6	708.2	12.1	3.2
Total	**771.1**	**3.7**	**16.6**	**708.2**	**12.1**	**3.2**
Total	**771.1**	**3.7**	**16.6**	**708.2**	**12.1**	**3.2**
Derivatives held for hedging						
Currency forwards	422.9		12.4	345.0	12.4	0.0
Total	**422.9**	**0.0**	**12.4**	**345.0**	**12.4**	**0.0**
Total derivatives held for hedging	**422.9**	**0.0**	**12.4**	**345.0**	**12.4**	**0.0**
Total derivatives	**1,194.1**	**3.7**	**29.0**	**1,053.2**	**24.5**	**3.2**

Fair value hedges

Fair value hedging is used to hedge a proportion of foreign exchange in available-for-sale financial assets. The interest elements of forward contracts have been excluded from hedging relationships in foreign exchange hedges.

Net gains/losses from exchange derivatives designated as fair value hedges amounted to EUR -32 million (31). Net gains/losses from hedged risks in fair value hedges of available for sale financial assets amounted to EUR 32 million (-31).

Other Financial Assets

EUR million	2021	2020
Financial assets available-for-sale		
Debt securities	2,395.03	2,728.6
Equity securities	1,953.51	2,027.5
Total	**4,348.5**	**4,756.0**
Loans and receivables	**85.5**	**58.5**
Financial assets total	**4,437.8**	**4,814.5**

Financial assets available-for-sale for life insurance include impairment losses EUR 8 million (90).

13. Fair Values

	2021		2020		
EUR million	Fair value	Carrying amount	Fair value	Carrying amount	Change in fair value
Financial assets					
Financial assets	4,437.8	4,437.8	4,839.1	4,839.1	**-401.3**
Investments related to unit-linked contracts	10,743.7	10,743.7	8,805.3	8,805.3	**1,938.4**
Other assets	38.9	38.9	40.3	40.3	**-1.4**
Cash and cash equivalents	918.1	918.1	682.4	682.4	**235.7**
Total	**16,138.5**	**16,138.5**	**14,367.1**	**14,367.1**	**1,771.3**
Financial liabilities					
Financial liabilities	378.5	378.5	352.4	352.4	**26.1**
Other liabilities	240.9	240.9	246.9	246.9	**-6.0**
Total	**619.4**	**619.4**	**599.4**	**599.4**	**20.0**

In the table above are presented fair values and carrying amounts of financial assets and liabilities including assets classified as held for sale. The detailed measurement bases of financial assets and liabilities are disclosed in Group Accounting policies.

According to current preliminary analysis the Group doesn't have financial assets measured at amortized cost or financial instruments at fair value through OCI that meet the SPPI test according to IFRS 9. The final classification may change before implementing the IFRS 9 standard on 1 January 2023.

The fair value of investment securities is assessed using quoted prices in active markets. If published price quotations are not available, the fair value is assessed using discounting method. Values for the discount rates are taken from the market's yield curve.

The fair value of the derivative instruments is assessed using quoted market prices in active markets, discounting method or option pricing models.

The fair value of loans and other financial instruments which have no quoted price in active markets is based on discounted cash flows, using quoted market rates. The market's yield curve is adjusted by other components of the instrument, e.g. by credit risk.

The fair value for short-term non-interest-bearing receivables and payables is their carrying amount.

Disclosed fair values are "clean" fair values, i.e. less interest accruals.

14. Determination and Hierarchy of Fair Values

A large majority of Group's financial assets are valued at fair value. The valuation is based on either published price quotations or valuation techniques based on market observable inputs, where available. For a limited amount of assets the value needs to be determined using other techniques.

The financial instruments measured at fair value have been classified into three hierarchy levels in the notes, depending on e.g. if the market for the instrument is active, or if the inputs used in the valuation technique are observable.

On level 1, the measurement of the instrument is based on quoted prices in active markets for identical assets or liabilities.

On level 2, inputs for the measurement of the instrument include also other than quoted prices observable for the asset or liability, either directly or indirectly by using valuation techniques.

In level 3, the measurement is based on other inputs rather than observable market data.

Financial Assets 31 December 2021

EUR million	Level 1	Level 2	Level 3	Total
Derivative financial instruments				
Foreign exchange derivatives	0.0	3.75	0.0	3.7
Total	**0.0**	**3.7**	**0.0**	**3.7**
Financial assets related to unit-linked insurance				
Equity securities	703.23	2.36	20.14	725.7
Debt securities	78.49	816.95	60.51	956.0
Funds	5,804.63	707.02	2,064.85	8576.5
Derivative financial instruments	-	11.43	-	11.4
Other assets	-	474.10	-	474.1
Total	**6,586.3**	**2,011.9**	**2,145.5**	**10,743.7**
Financial assets available-for-sale				
Equity securities	773.4	-	28.8	802.1
Debt securities	1,647.1	716.0	32.0	2395.0
Other assets	438.3	22.9	690.2	1151.4
Total	**2,858.7**	**739.0**	**750.9**	**4,348.5**
Total financial assets measured at fair value	**9,445.0**	**2,754.6**	**2,896.4**	**15,096.0**
Financial assets at amortized cost				
Other assets				
Loans and receivables	-	-	85.5	85.5
Total	**0.0**	**0.0**	**85.5**	**85.5**
FINANCIAL ASSETS TOTAL	**9,445.0**	**2,754.6**	**2,981.9**	**15,181.5**

Financial Liabilities 31 december 2021

EUR million	Level 1	Level 2	Level 3	Total
Derivative financial instruments				
Foreign exchange derivatives	-	29.0	-	29.0
Total financial liabilities measured at fair value	**0.0**	**29.0**	**0.0**	**29.0**
Subordinated debt securities				
Subordinated loans	-	356.8	-	356.8
Financial liabilities total	**0.0**	**356.8**	**0.0**	**356.8**
FINANCIAL LIABILITIES TOTAL	**0.0**	**385.8**	**0.0**	**385.8**

Financial Assets 31 December 2020

EUR million	Level 1	Level 2	Level 3	Total
Derivative financial instruments				
Foreign exchange derivatives	-	24.5	-	24.5
Total	**0.0**	**24.5**	**0.0**	**24.5**
Financial assets designated at fair value through P&L				
Equity securities	556.4	2.6	18.2	577.3
Debt securities	58.7	763.8	19.3	841.7
Funds	5,087.2	632.3	1,296.8	7,016.3
Derivative financial instruments	-	16.9	-	16.9
Total	**5,702.3**	**1,415.7**	**1,334.3**	**8,452.3**
Financial assets available-for-sale				
Equity securities	878.5	-	31.3	909.8
Debt securities	1,960.2	745.2	23.1	2,728.6
Funds	442.0	18.0	657.7	1,117.7
Total	**3,280.6**	**763.3**	**712.1**	**4,756.0**
Total financial assets measured at fair value	**8,983.0**	**2,203.5**	**2,046.4**	**13,232.8**
Other assets	-	411.5	-	411.5
FINANCIAL ASSETS TOTAL	**8,983.0**	**2,615.0**	**2,046.4**	**13,644.4**

Financial Liabilities 31 December 2020

EUR million	Level 1	Level 2	Level 3	Total
Derivative financial instruments				
Foreign exchange derivatives	-	3.2	-	3.2
Total financial liabilities measured at fair value	**-**	**3.2**	**-**	**3.2**
Financial liabilities at amortized cost	-	356.4	-	356.4
FINANCIAL LIABILITIES TOTAL	**0.0**	**359.6**	**0.0**	**359.6**

Sensitivity Analysis of Fair Values

10 percentage point depreciation of all other currencies against EUR would result in an effect recognized in P&L of EUR 32 million and in an effect recognized directly in equity of EUR -45 million.

The sensitivity analysis of the Group's fair values of financial assets and liabilities in different market risk scenarios is presented below. The effects represent the instantaneous effects of a one-off change in the underlying market variable on the fair values on 31 December 2021.

The sensitivity analysis includes the effects of derivative positions. All sensitivities are calculated before taxes.

	Interest rate		Equity	Other financial investments
EUR million	1% parallel shift down	1% parallel shift up	20% fall in prices	20% fall in prices
Effect recognized in P&L	0	0	0	0
Effect recognized directly in equity	84	-65	-247	-154
Total effect	**84**	**-65**	**-247**	**-154**

15. Movements in Level 3 Financial Instruments Measured at Fair Value

Financial Assets 2021

EUR million	At 1 Jan	Total gains/ losses in P&L	Total gains/ losses recorded in OCI	Purchases	Sales	Executions	Transfers from levels 1 and 2	Transfers to levels 1 and 2	At 31 Dec	Gains/losses included in P&L for financial assets
Financial assets related to unit-linked insurance										
Equity securities	18.2	3.9	0.0	1.6	-3.5	0.0	0.0	0.0	20.1	2.8
Debt securities	19.3	1.4	0.0	80.3	-40.4	0.0	0.0	0.0	60.5	1.3
Funds	1,296.8	477.9	0.0	635.9	-345.7	0.0	0.0	0.0	2,064.8	480.6
Total	**1,334.3**	**483.1**	**0.0**	**717.8**	**-389.7**	**0.0**	**0.0**	**0.0**	**2,145.5**	**484.8**
Financial assets available-for-sale										
Equity securities	31.3	0.0	3.9	0.3	0.0	0.0	0.0	-6.8	28.8	3.9
Debt securities	23.1	2.8	0.6	66.9	-61.4	0.0	0.0	0.0	32.0	0.7
Funds	657.7	17.8	132.2	95.4	-212.8	0.0	0.0	0.0	690.2	147.4
Total	**712.1**	**20.6**	**136.7**	**162.6**	**-274.3**	**0.0**	**0.0**	**-6.8**	**750.9**	**152.0**
Total financial assets measured at fair value	**2,046.4**	**503.7**	**136.7**	**880.3**	**-664.0**	**0.0**	**0.0**	**-6.8**	**2,896.4**	**636.8**

EUR million	Realized gains/losses	Fair value change	Total
Total gains or losses included in P&L for assets held at the end of the financial year	500.1	136.7	636.8

Financial Liabilities 2021

Nothing to report.

Financial Assets 2020

EUR million	At 1 Jan	Total gains/ losses in P&L	Total gains/ losses recorded in OCI	Purchases	Sales	Executions	Transfers from levels 1 and 2	Transfers to levels 1 and 2	At 31 Dec	Gains/losses included in P&L for financial assets
Financial assets related to unit-linked insurance										
Equity securities	18.2	0.0	0.0	5.7	-4.6	0.0	0.0	-1.0	18.2	-1.6
Debt securities	20.7	0.0	0.0	14.1	-15.5	0.0	0.0	0.0	19.3	0.0
Funds	1,000.5	-29.5	0.0	473.5	-147.7	0.0	0.0	0.0	1,296.8	-29.3
Total	**1,039.4**	**-29.6**	**0.0**	**493.3**	**-167.8**	**0.0**	**0.0**	**-1.0**	**1,334.3**	**-31.0**
Financial assets available-for-sale										
Equity securities	63.8	-2.5	5.7	0.6	-30.1	0.0	0.0	-6.1	31.3	2.1
Debt securities	60.5	0.1	-0.1	170.3	-160.8	0.0	0.0	-46.9	23.1	0.0
Funds	633.5	-39.6	-6.9	148.8	-78.1	0.0	0.0	0.0	657.7	-45.1
Total	**757.7**	**-42.0**	**-1.3**	**319.7**	**-269.0**	**0.0**	**0.0**	**-52.9**	**712.1**	**-43.0**
Total financial assets measured at fair value	**1,797.1**	**-71.6**	**-1.3**	**813.0**	**-436.8**	**0.0**	**0.0**	**-53.9**	**2,046.4**	**-74.0**

EUR million	Realized gains/losses	Fair value change	Total
Total gains or losses included in P&L for assets held at the end of the financial year	-72.7	-1.3	-74.0

Financial Liabilities 2020

Nothing to report.

16. Sensitivity Analysis of Level 3 Financial Instruments Measured at Fair Value

EUR million	2021 Carrying amount	2021 Effect of reasonably possible alternative assumptions (+/-)	2020 Carrying amount	2020 Effect of reasonably possible alternative assumptions (+/-)
Financial assets				
Financial assets related to unit-linked insurance and investment contracts				
Equity securities	20.1	-	18.2	-
Debt securities	60.5	-	19.3	-
Funds	2,064.8	-	1,296.8	-
Total	**2,145.5**	**-**	**1,334.3**	**-**
Financial assets available-for-sale				
Equity securities	28.8	-5.8	31.3	-6.3
Debt securities	32.0	-0.3	23.1	-0.5
Funds	690.2	-138.0	657.7	-131.5
Total	**750.9**	**-144.1**	**712.1**	**-138.3**
Total financial assets measured at fair value	**2,896.4**	**-144.1**	**2,046.4**	**-138.3**

The value of financial assets regarding the debt security instruments has been tested by assuming a rise of 1% unit in interest rate level in all maturities. For other financial assets, the prices were assumed to go down by 20%. The Group bears no investment risks related to unit-linked insurance, so a change in assumptions regarding these assets does not affect profit or loss. On the basis of these alternative assumptions, a possible change in interest levels would cause descent of EUR 0.3 million (0.5) for the debt instruments, and EUR 143.8 million (137.8) valuation loss for other instruments in the Group's other comprehensive income. The reasonably possible effect, proportionate to the Group's equity, would thus be 8.3% (8.7).

17. Investments Related to Unit-Linked Insurance Contracts

EUR million	2021	2020
Financial assets designated at fair value through P&L		
Debt securities	956.0	841.7
Equity securities	9,082.7	7,593.6
Total	**10,038.6**	**8,435.3**
Loans and other receivables	693.6	353.0
Other financial asset	11.4	16.9
Investment related to unit-linked contracts, total	**10,743.7**	**8,805.3**
Total	**10,743.7**	**8,805.3**

The historical cost of the equity securities related to unit-linked contracts was EUR 6,954 million (6,347) and that of the debt securities EUR 1,009 million (850).

18. Deferred tax assets and Liabilities

Changes in Deferred Tax During the Financial Period 2021

EUR million	1 Jan	Recognized in OCI	Recognized in equity	31 Dec
Deferred tax assets				
Losses from previous years	0.1			0.1
Changes in fair values	0.0			0.0
Shadow accounting	5.8		-1.1	4.7
Other deductible temporary differences	0.6	5.5		6.1
Total	**6.5**	**5.5**	**-1.1**	**10.9**
Netting of deferred taxes				-10.9
Deferred tax assets				**0.0**
Deferred tax liabilities				
Depreciation differences and untaxed reserves	1.5	0.0		1.4
Changes in fair values	138.0	-0.1	25.2	163.2
Shadow accounting	5.8		-1.1	4.7
Other differences	0.0	0.1	0.1	0.2
Total	**145.3**	**-0.2**	**24.2**	**169.5**
Netting of deferred taxes				10.9
Total deferred tax liabilities				**158.6**

Changes in Deferred Tax During the Financial Period 2020

EUR million	1 Jan	Recognized in OCI	Recognized in equity	31 Dec
Deferred tax assets				
Losses from previous years	0.1			0.1
Changes in fair values	0.0			0.0
Shadow accounting	5.9		-0.2	5.8
Other deductible temporary differences	3.0	-2.3		0.6
Total	**9.0**	**-2.3**	**-0.2**	**6.5**
Netting of deferred taxes				-6.5
Deferred tax assets				**0.0**
Deferred tax liabilities				
Depreciation differences and untaxed reserves	1.4	0.0		1.5
Changes in fair values	122.4	-8.2	23.8	138.0
Shadow accounting	5.9		-0.2	5.8
Other differences	0.0	0.0	0.0	0.0
Total	**129.7**	**-8.2**	**23.7**	**145.2**
Netting of deferred taxes				6.5
Total deferred tax liabilities				**138.8**

19. Taxes

EUR million	2021	2020
Profit before tax	247.1	153.9
Tax calculated at parent company's tax rate	49.4	30.8
Different tax rates on overseas earnings	0.1	0.0
Income not subject to tax	-3.2	-1.6
Expenses not allowable for tax purposes	2.0	0.9
Consolidation procedures and eliminations	-0.1	0.3
Tax from previous years	2.8	6.5
Total	**50.9**	**36.8**

20. Components of Other Comprehensive Income

EUR million	2021	2020
Other comprehensive income items reclassifiable to P&L		
Available-for-sale financial assets		
Gains/losses arising during the year	126.2	119.1
Income tax relating to components of other comprehensive income	-25.2	-23.8
Shadow accounting	5.4	-0.8
Total items reclassifiable to profit or loss, net of tax	**106.4**	**94.5**

21. Tax Effects Relating to Components of Other Comprehensive Income

	2021			2020		
EUR million	Before-tax amount	Tax	Net-of-tax amount	Before-tax amount	Tax	Net-of-tax amount
Available-for-sale financial assets	126.2	-25.2	100.9	119.1	-23.8	95.3
Shadow accounting	5.4	0.0	5.4	-0.8	0.0	-0.8
Total	**131.6**	**-25.2**	**106.4**	**118.3**	**-23.8**	**94.5**

22. Other Assets

EUR million	2021	2020
Interests	21.5	23.7
Receivables from policyholders	0.9	2.5
Assets arising from reinsurance operations	0.4	0.5
Settlement receivables	38.9	40.3
Assets pledged for trading in derivatives	25.8	0.0
Prepaid pensions	21.9	20.0
VAT and rental receivables on properties	0.7	0.7
Receivables from associated companies	0.4	0.3
Tax receivables	10.7	0.6
Other	35.9	18.6
Total	**157.0**	**107.1**

The item 'Other' consists of e.g. fees, trade receivables and receivables relating to timing differences.

23. Cash and Cash Equivalents

EUR million	2021	2020
Cash at bank	918.1	682.4
Total	**918.1**	**682.4**

24. Liabilities from Insurance and Investment Contracts

Change in Liabilities Arising From Other Than Unit-Linked Insurance and Investment Contracts

EUR million	Insurance contracts	Investment contracts	Total
At Jan 1 2021	**3,495.3**	**25.8**	**3,521.1**
Premiums	97.4	0.0	97.4
Claims paid	-372.9	0.0	-372.9
Expense charge	-31.2	0.0	-31.2
Guaranteed interest	90.3	0.0	90.3
Bonuses	12.2	0.0	12.2
Other	-72.1	2.0	-70.2
At 31 Dec 2021	**3,218.9**	**27.8**	**3,246.7**
Reinsurers' share	-1.5	0.0	-1.5
Liability at 31 Dec 2021	**3,217.5**	**27.8**	**3,245.2**

EUR million	Insurance contracts	Investment contracts	Total
At Jan 1 2020	**3,901.0**	**24.8**	**3,925.9**
Premiums	98.7	0.0	98.7
Claims paid	-404.6	-0.1	-404.7
Expense charge	-32.4	0.0	-32.4
Guaranteed interest	101.6	0.0	101.6
Bonuses	3.4	0.0	3.4
Other	-172.4	1.1	-171.3
At 31 Dec 2020	**3,495.3**	**25.8**	**3,521.1**
Reinsurers' share	-1.0	0.0	-1.0
Liability at 31 Dec 2020	**3,494.3**	**25.8**	**3,520.1**

Change in Liabilities Arising From Unit-Linked Insurance and Investment Contracts

EUR million	Insurance contracts	Investment contracts	Total
At Jan 1 2021	**5,199.1**	**3,566.1**	**8,765.2**
Premiums	274.4	1,004.1	1,278.4
Claims paid	-207.5	-518.5	-726.1
Expense charge	-69.2	-29.2	-98.4
Other	739.4	753.0	1,492.4
At 31 Dec 2021	**5,936.1**	**4,775.5**	**10,711.6**

EUR million	Insurance contracts	Investment contracts	Total
At Jan 1 2020	**4,905.8**	**3,211.3**	**8,117.1**
Premiums	244.3	716.0	960.3
Claims paid	-228.6	-486.6	-715.2
Expense charge	-48.3	-33.3	-81.6
Other	325.9	158.7	484.7
At 31 Dec 2021	**5,199.1**	**3,566.1**	**8,765.2**

The liabilities at 1 January and at 31 December include the future bonus reserves and the effect of the reserve for the decreased discount rate. The calculation is based on items before reinsurers' share. A more detailed specification of changes in insurance liabilities is presented in Group's Risk Management.

Insurance Contracts

EUR million	2021	2020
Liabilities for contracts with discretionary participation feature (DPF)		
Provision for unearned premiums	1,459.0	1,554.6
Provision for claims outstanding	1,758.0	1,938.5
Liabilities for contracts without discretionary participation feature (DPF)		
Provision for unearned premiums	0.6	0.5
Provision for claims outstanding	0.1	0.1
Total	**3,217.8**	**3,493.8**
Assumed reinsurance		
Provision for unearned premiums	0.0	0.1
Provision for claims outstanding	1.1	1.4
Total	**1.1**	**1.5**
Insurance contracts total		
Provision for unearned premiums	1,459.7	1,555.3
Provision for claims outstanding	1,758.1	1,940.0
Total	**3,217.8**	**3,495.3**
Investment contracts		
Liabilities for contracts with discretionary participation feature (DPF)		
Provision for unearned premiums	27.8	25.8
Liabilities for insurance and investment contracts total		
Provision for unearned premiums	1,487.5	1,581.1
Provision for claims outstanding	1,759.3	1,940.0
Total	**3,246.7**	**3,521.1**

EUR million	2021	2020
Reinsurers' share		
Provision for claims outstanding	1.5	1.0
Total	**1.5**	**1.0**

Liability adequacy test does not give rise to supplementary claims.

Exemption allowed in IFRS 4 Insurance contracts has been applied to investment contracts with DPF or contracts with a right to trade-off for an investment contract with DPF. These investment contracts have been valued like insurance contracts.

25. Liabilities from Unit-Linked Insurance and Investment Contracts

EUR million	2021	2020
Unit-linked insurance contracts	5,936.1	5,199.1
Unit-linked investment contracts	4,775.5	3,566.1
Total	**10,711.6**	**8,765.2**

26. Financial Liabilities

The financial liabilities include derivatives, debt securities and other financial liabilities.

EUR million			2021	2020
Derivative financial instruments			**29.0**	**3.2**
Subordinated debt securities				
Subordinated loans	Loan period	Interest	100.0	100.0
Subordinated loan 2002	outstanding	variable interest rate		
(nominal value EUR 100 million)		12-month Euribor + 4.5%		
Subordinated loan 2019	30 years	Fixed interest 1.875% until 4 Oct 2024.	249.4	249.2
(Solvency II Tier 2, nominal value EUR 250 million)		Thereafter 3-month Euribor + Floating Rate Margin 230 bps until 4 Oct 2029.		
		Thereafter 3-month Euribor + Floating Rate Margin 230 bps + Step up 100 bps.		
Total			**349.4**	**349.2**
Total			**378.5**	**352.4**

The interest on the 2002 subordinated loan is payable only from distributable capital. The loan is repayable only with the consent of the Finnish Financial Supervisory Authority. The loan is wholly subscribed by Sampo Plc.

The 2019 subordinated loan matures on 4 October 2049. The loan has a fixed interest rate until the first possible repayment date of 4 October 2024, after which it changes to a floating rate of interest.

27. Employee Benefits

Employee Benefits

In addition to statutory retirement pension insurance, the Group has certain voluntary defined benefit plans. The voluntary defined benefit plans are intra-Group and included in the insurance liabilities of Mandatum Life. The amount is negligible and they have no material impact on the Group profit or loss or equity.

Other Short-Term Employee Benefits

There are other short-term staff incentive schemes in the Group, the terms of which vary each year. Benefits are recognized in the profit or loss for the year they arise from. An estimated amount of these profit-sharing bonuses for 2021 is EUR 7.0 million.

28. Other Liabilities

EUR million	2021	2020
Interests	7.0	7.4
Liabilities arising out of direct insurance operations	30.3	36.5
Liabilities arising out of reinsurance operations	8.2	7.1
Settlement liabilities	80.4	63.2
Guarantees received	0.6	19.3
Leases	22.5	24.1
Other liabilities	88.1	89.4
Total	**237.1**	**246.9**

Item Guarantees received comprise assets accepted as guarantees required in derivative trading and securities lending.

Item Leases include non-cash additions from IFRS 16 leases to the balance sheet items.

Item Other includes e.g. liabilities arising from withholding taxes and social security costs, liabilities to creditors and insurance premium advances.

EUR million	2021	2020
Items recognized in the P&L from lease liabilities		
Interest expenses	-0.5	-0.2
Expenses from short-term and low-value lease liabilities	-1.7	-2.3

29. Contingent Liabilities and Commitments

EUR million	2021	2020
Off-balance sheet items		
Fund commitments	1,804.4	1,196.2
Acquisition of IT-software	7.5	7.6
Total	**1,811.9**	**1,203.9**
Assets pledged as security for derivative contracts		
Cash	25.8	0.0

Of the remaining private equity fund commitments, EUR 1,542 million (869) is related to the investments related to unit-linked insurance.

The pledged assets are included in the balance sheet item 'Other assets'.

30. Equity and Reserves

Due to the change in corporate structure in 2021, equity has changed compared to the previous year.

Equity

The number of shares at 31 December 2021 was 200. The company's share capital is EUR 5.0 million euros. At the end of the financial year 2021, the Group companies held no own shares.

Reserves and Retained Earnings

Invested unrestricted equity fund
The fund is based on a decision made by the company's Board of Directors.

Other components of equity include fair value changes of financial assets available for sale and derivatives used in cash flow hedges, and exchange differences.

Changes in the reserves and retained earnings are presented in the Group's statement of changes in equity.

31. Related Party Disclosures

Key Management Personnel

The Group has applied the definition of "related party" given in IAS 24. The key management personnel in Mandatum Group consists of the members of the Board of Directors of Mandatum Holding Ltd, Mandatum Life Insurance Company Limited, Mandatum Asset Management Ltd, Mandatum Life Services Ltd, Mandatum Incentives Ltd, Mandatum Private Equity GP Ltd and Mandatum Fund Management.

EUR million	2021	2020
Key management compensation		
Short-term employee benefits	1.5	1.5
Post-employment benefits	0.5	0.4
Other long-term benefits	1.2	0.0
Total	**3.2**	**1.9**

Short-term employee benefits comprise salaries and other short-terms benefits, including profit-sharing bonuses accounted for the year, and social security costs.

Post-employment benefits include pension benefits under the Employees' Pensions Act (TyEL) in Finland and voluntary supplementary pension benefits.

Other long-term benefits consist of the benefits under long-term incentive schemes accounted for the year. The benefits are determined by terms on Group level. Mandatum pays the benefits allocated to its key management (note 32).

Related Party Transactions of the Key Management

The key management does not have any loans from the Group companies.

Associates

The Group has no related party transactions with associates.

Transactions of Related Party Companies

Mandatum Life Insurance Company Limited has paid EUR 200,000,000 million (0.0) in dividends to Sampo plc. The result of Mandatum Asset Management was reduced by EUR 15 million that was paid to Sampo plc as a group contribution. In the previous year, group contributions were paid by both Mandatum Life Investment Services Ltd (EUR 1,600,000 million) and Mandatum Life Services Ltd (EUR 1,750,000 million).

32. Incentive Schemes

The Board of Directors of Sampo plc has decided on the long-term incentive schemes 2017:1 and 2020:1 for the key personnel of Sampo Group.

The Board has authorized the CEO and President to decide on the allocation of the calculated bonus units used in determining the amount of the performance-related bonus. For the CEO and President and the members of the Sampo Group Executive Committee, the corresponding decisions are made by the Board of Directors of Sampo plc. In Mandatum Group, around 30 persons were included in the long-term incentive schemes at the end of 2021. The amount of the performance-related bonus is based on the value performance of the Sampo A share, the insurance margin (IM) of If P&C and Sampo Group's return on the risk adjusted capital (ROCaR). The value of one calculated bonus unit is the trade-weighted average price of the Sampo A share at the time period specified in the terms of the incentive scheme, and reduced by the dividend-adjusted starting price. The starting prices in the incentive schemes vary between EUR 32.94 and EUR 44.10. The maximum value of one calculated bonus unit varies between EUR 56.94 and EUR 67.49. In the 2017:1 incentive scheme, two benchmarks are also taken into account when calculating the performance-related bonus. If the IM is 6 percent or more, 60 percent of the bonus is paid. If the IM is between 4 percent and 5.99 percent, 30 percent of the bonus is paid. If the ROCaR is at least risk-free return + 4 percent, 40 percent of the bonus is paid. If the ROCaR is at least risk-free return + 2 percent but less than risk free return + 4 percent, 20 percent of the bonus is paid. In the 2020:1 incentive scheme, the ROCaR is also taken into account when calculating the performance-related bonus. If the ROCaR is at least risk-free return + 5 percent, the bonus is paid in full. If the ROCaR is at least risk-free return + 3 percent but less than risk free return + 5 percent, half of the bonus is paid. If the ROCaR is less than risk-free return + 3 percent, no bonus will be paid.

Each plan has three performance periods and performance-related bonuses are settled in cash in three installments. Certain persons are required to buy Sampo A shares with 50 percent of the amount of bonus received after income taxes and other comparable charges. The shares are subject to a transfer restriction for three years from the day of payout of the installment. A premature payment of the bonuses may occur in the event of changes in the group structure. The fair value of the incentive schemes is estimated by using the Black–Scholes pricing model.

EUR million		2017:I	2017:I/2	2020:1	2020:1/2
Terms approved *		14.9.2017	14.9.2017	5.8.2020	5.8.2020
Granted (1,000) 31 Dec 2018		528	10	-	-
Granted (1,000) 31 Dec 2019		558	10	-	-
Granted (1,000) 31 Dec 2020		390	20	580	-
Granted (1,000) 31 Dec 2021		249	14	790	20
End of performance period I 30%		Q2-2020	Q2-2021	Q2-2023	Q2-2024
End of performance period II 35%		Q2-2021	Q2-2022	Q2-2024	Q2-2025
End of performance period III 35%		Q2-2022	Q2-2023	Q2-2025	Q2-2026
Payment I 30%		9-2020	9-2021	9-2023	9-2024
Payment II 35%		9-2021	9-2022	9-2024	9-2025
Payment III 35%		9-2022	9-2023	9-2025	9-2026
Price of Sampo A at terms approval date*		44.02	44.02	30.30	30.30
Starting price**		43.81	44.10	32.94	43.49
Dividend-adjusted starting price at 31 Dec 2021		34.59	37.48	31.24	43.49
Sampo A - closing price 31 Dec 2021	44.06				
Total intrinsic value, EUR million		2.1	0.1	3.2	0.0
Liability, total EUR million	5.4				
Total cost for the financial period, EUR million	6.3				

*Grant dates vary.

**In the 2017:1 incentive scheme, the trade-weighted average price of the Sampo A share for ten trading days from the adoption of the scheme, and in the 2020:1 incentive scheme, the trade-weighted average price of the Sampo A share for 25 trading days from the date on which Sampo plc has published its half-year report for 2020.

33. Auditors' Fees

EUR million	2021	2020
Auditing fees	-0.4	-0.3
Other fees	0.0	0.0
Total	**-0.4**	**-0.3**

In 2021 audit firm Deloitte Ltd. In 2020 audit firm Ernst & Young Ltd.

34. Legal Proceedings

There are no legal proceedings against Mandatum Life outstanding on 31 December 2021.

35. Events After the Balance Sheet Date

The Board of Directors proposes to the Annual General Meeting that EUR 150.0 million be paid in dividends. There are no other significant events after the balance sheet date.

36. Investments in Subsidiaries

Nimi	Country	Holding %	Voting rights %
Asunto Oy Vantaan Raiviosuonmäki 6	Finland	100.00	100.00
Asunto Oy Espoon Matinkatu 8	Finland	100.00	100.00
Asunto Oy Espoon Aapelinkatu 6	Finland	100.00	100.00
Asunto Oy Espoon Aallonhuippu 9	Finland	100.00	100.00
Kiinteistö Oy Ahti Business Park	Finland	100.00	100.00
Kiinteistö Oy Hyvinkään Sampotalo	Finland	81.37	81.37
Kiinteistö Oy Hämeenlinnan Karhulinna	Finland	100.00	100.00
Kiinteistö Oy Galaxy	Finland	100.00	100.00
Kiinteistö Oy Helsingin Ratamestarinkatu 7a	Finland	100.00	100.00
Kiinteistö Oy Helsingin Ratamestarinkatu 7b	Finland	100.00	100.00
Kiinteistö Oy Jäkälävaara	Finland	100.00	100.00
Kiinteistö Oy Järvenpään Asemakatu 4	Finland	100.00	100.00
Kiinteistö Oy Kaupintie 5	Finland	100.00	100.00
Kiinteistö Oy Leppävaaran Säästötammi	Finland	100.00	100.00
Kiinteistö Oy Niittymaanpolku	Finland	100.00	100.00
Kiinteistö Oy Oulun Torikatu 21-23	Finland	100.00	100.00
Kiinteistö Oy Rautalaani	Finland	100.00	100.00
Kiinteistö Oy Tampereen Hatanpäänvaltie 18	Finland	100.00	100.00
Mandatum Life Vuokratontit II Oy	Finland	100.00	100.00
Mandatum Henkivakuutusosakeyhtiö	Finland	100.00	100.00
Mandatum Life Palvelut Oy	Finland	100.00	100.00
Mandatum Incentives Oy	Finland	75.00	75.00
Mandatum Asset Management Oy	Finland	100.00	100.00
Mandatum Life Vuokratontit I GP Oy	Finland	100.00	100.00
SaKa Hallikiinteistö GP Oy	Finland	100.00	100.00
Mandatum Life Private Equity GP Oy	Finland	88.08	88.08
Mandatum AM AIFM OY	Finland	100.00	100.00
CO2 Avoid1 OY	Finland	100.00	100.00
Mandatum AM Finland Properties II GP Oy	Finland	100.00	100.00
Mandatum Life Fund Management S.A.	Luxembourg	100.00	100.00
Mandatum Vara Oy	Finland	100.00	100.00

37. Interests in Unconsolidated Structured Entities

Mandatum Fund Management S.A and Mandatum AM AIFM Ltd, which are part of Mandatum Group, manage Mandatum's funds, and Mandatum Private Equity GP Ltd as well as the property investment companies SaKa Hallikiinteistöt GP Ltd and Mandatum Life Vuokratontit I GP Ltd manage Mandatum's limited partnership investments. Mandatum Fund Management S.A. and the GP companies use Mandatum Asset Management Ltd as the portfolio manager in the funds and limited partnerships managed by them, and Mandatum AM AIFM Ltd is responsible for the portfolio management and other administration of its funds.

Mandatum Group receives management fee income from the unconsolidated funds and limited partnerships. This income is included in fee income in the income statement. In addition, Mandatum Group receives returns from the unconsolidated funds and limited partnerships as an investor. These returns are included in income from investments according to the balance sheet item in which the investments have been included in the balance sheet. Mandatum Group's investments in the funds managed by Mandatum Fund Management S.A. and Mandatum AM AIFM Ltd and in the limited partnerships managed by the GP companies totaled EUR 1,915 million on 31 December 2021. The investments are included in investment assets in the balance sheet.

38. Assets Classified as Held for Sale

On 15 June 2021, Mandatum Life signed an agreement on the sale of its Baltic life insurance businesses to the Lithuanian Invalda INVL Group. In connection with the sale, Mandatum Life's entire Baltic life insurance business will transfer to Invalda INVL. The transaction is expected to be concluded in the first half of 2022. The transaction is subject to approval by the financial supervisory authorities.

The contract portfolio covered by the agreement is mainly included in the "Mandatum Life Unit-linked contracts" segment. The impact of the with-profit portfolio on the investment result and expense result of the "Mandatum Life Other products and services" segment is minor. In 2021, premiums written on the insurance portfolio were EUR 24.8 million (21.8) and claims expenditure was EUR 15.6 million (23.0).

In note 14 Financial Assets, EUR 10.3 million of the with-profit portfolio is included in assets classified as held for sale, and EUR 186.1 million of the investments related to unit-linked contracts concerns assets classified as held for sale.

MANDATUM HOLDING LTD

Financial Statements

Income Statement

EUR million	Note	15 Feb–31 Dec 2021
Other operating expenses	1	-150,535.25
Operating profit		**-150,535.25**
Financial income and expenses	2	174,712,005.17
Profit before appropriations and taxes		**174,561,469.92**
Taxes for the period		-72.50
Profit for the period		**174,561,397.42**

Balance Sheet

EUR million	Note	15 Feb–31 Dec 2021
Assets		
Investments		
Interests in Group companies		553,676,534.28
Current receivables		
Other receivables	3	12,415.50
Cash and cash equivalents		159,391,295.08
Total assets		**713,080,244.86**
Liabilities		
Equity	4	
Share capital		5,000,000.00
Invested unrestricted equity fund		533,514,537.44
Profit for the period		**174,561,397.42**
		713,075,934.86
Liabilities		
Current liabilities		
Other liabilities	5	4,310.00
Accruals and deferred income		
		4,310.00
Total liabilities		**713,080,244.86**

Statement of Cash Flows

EUR million	15 Feb 2021–31 Dec 2021
Operating activities (A)	
Profit (loss) before extraordinary items	174,419,597.76
Adjustments:	
Financial income and expenses	287,994.83
Cash flow before changes in working capital	174,707,592.59
Changes in working capital	
Increase in receivables	-12,415.50
Increase in payables	4,310.00
Cash flow from operating activities before financial items and taxes	174,699,487.09
Interest and other financial expenses paid	-287,994.83
Direct taxes paid	-72.50
Cash flow before extraordinary items	174,411,419.76
Operating activities (A)	174,411,419.76
Investing activities (B)	
Investments in subsidiary shares	-70,020,124.68
Investments in other investments	0.00
Investing activities (B)	-70,020,124.68

EUR million	15 Feb 2021–31 Dec 2021
Financing activities (C)	
Invested unrestricted equity fund	55,000,000.00
Financing activities (C)	55,000,000.00
Net increase (+)/decrease (–) in cash and cash equivalents (A+B+C)	159,391,295.08
Cash and cash equivalents at 15 February	**0.00**
Cash and cash equivalents at 31 December	**159,391,295.08**

Summary of Significant Accounting Policies

The establishment contract of Mandatum Holding Ltd, business ID 3191242-4, was signed on 15 February 2021. The company was entered in the trade register on 17 February 2021. The first financial period is exceptional, 15 February 2021 – 31 December 2021, after which the financial period is 1 January – 31 December. As 2021 was the company's first year of operation, no figures for the comparison year are presented.

The company is a wholly owned subsidiary of Sampo plc. The company was established to clarify the Group's corporate structure. In 2021, both Mandatum Life Insurance Company Limited and Mandatum Asset Management Ltd focusing on asset management were transferred to Mandatum Holding Ltd.

Mandatum Holding Ltd's financial statements, including notes, have been prepared in accordance with the Finnish Accounting Act and Decree. The company's shareholdings are recorded at cost. The acquisition cost includes purchase-related variable costs.

Notes to the Parent Company's Income Statement

1. Other Operating Expenses

EUR million	2021
Service charges	-84,812.98
External production services	-65,722.27
Total	**-150,535.25**

2. Financial Income and Expenses

EUR million	2021
Dividend income received	175,000,000.00
Interest expenses	-287,994.83
Total	**174,712,005.17**

3. Receivables from Group Companies

EUR million	2021
Acquisition cost at 15 Feb 2021	0.00
Additions	12,415.50
Closing net carrying amount at 31 Dec 2021	**12,415.50**

4. Parent Company's Statement of Changes in Equity

EUR million	Share capital	Invested unrestricted equity fund	Retained earnings	Total
Carrying amount at 15 Feb 2021	**5,000,000.00**	**533,514,537.44**		**538,514,537.44**
Dividends				0.00
Profit for the period			174,561,397.42	174,561,397.42
Carrying amount at 31 Dec 2021	**5,000,000.00**	**533,514,537.44**	**174,561,397.42**	**713,075,934.86**

5. Other Liabilities

EUR million	2021
Other liabilities	4,310.00

6. Shareholdings at 31 December 2021

EUR million	Interest held	Carrying amount of shares
Group companies		
Life insurance operations		
Mandatum Life Insurance Company Limited	100%	483,514,537.44
Asset management		
Mandatum Asset Management Ltd	100%	70,009,124.68
Other operations		
Mandatum Vara Oy	100%	11,000.00

Signatures of the Financial Statements and the Report of the Board of Directors

Helsinki, 9 March 2022

Mandatum Holding Ltd
Board of Directors

Patric Lapveteläinen
Chairman of the
Board of Directors

Anne Teitto

Ricard Wennerklint

Petri Niemisvirta
CEO

The auditor's report has been issued today.

Helsinki, 9 March 2022

Deloitte Ltd, Authorized Public Accountant Firm

Reeta Virolainen
Authorized public accountant

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AUDITOR'S REPORT

Auditor's report (Translation of the Finnish Original)

To the Annual General Meeting of Mandatum Holding Ltd

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Mandatum Holding Ltd (business identity code 3191242-4) for the year ended 31 December, 2021. The financial statements comprise the consolidated balance sheet, the statement of comprehensive income, statement of changes in equity, cash flow statements and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In Our Opinion

- the consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the *Auditor's Responsibilities for the Audit of Financial Statements* section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities in the Audit of Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt

on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other Reporting Requirements

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report. Our opinion on the financial statements does not cover the other information

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki, 9 March 2022

Deloitte Ltd
Audit Firm

Reeta Virolainen
APA

MANDATUM

Mandatum Holding Ltd
Postal address P.O. box 627, 00101 Helsinki, Finland
Registered domicile and address
Bulevardi 56, FI-00120 Helsinki, Finland
Business ID 3191242-4

www.mandatumlife.fi/en/